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## FOREWORD BY STM LEADERS

### PUBLIC TRANSPORTATION, A DRIVING FORCE FOR DEVELOPMENT

The year 2004 was dedicated to implementing our 2004-2008 Business Plan, aimed at improving the STM's performance and the satisfaction of its customers. Our achievements, after only twelve months, show much promise and confirm that we are on the right track.

Indeed, the Bus Network delivered 99.5% of planned service, while the number of service-related complaints fell by nearly 25%. And although combined bus/métro ridership levels dipped slightly (1.3%), improvements to overall bus service in Rivière-des-Prairies brought in 850 new transit users. As for Paratransit, once the new ACCÈS 5 software package was implemented and their business processes were reviewed, the ratio for attempted versus answered calls improved by 65% and the number of trips increased by 6.5%.

Despite aging equipment, some 97.87% of métro users arrived on time, and service disruptions have decreased by 5%, if we exclude the numerous interventions required by the Réno-Systèmes project and the métro extension into Laval. That construction work forced us to close Henri-Bourassa métro station for 14 weeks, but transit users were spared the hellish summer predicted by most of the media, thanks to superior planning by our employees and partners. Finally, following the creation of Transgesco, a limited partnership, the installation inside Berri-UQAM station of the first giant Métrovision screens, indicating the time of the next train among other things, has generated several positive comments and will help increase autonomous revenue, while meeting one of the main expectations expressed by transit users.

Still, it is obvious that the STM cannot reach all the goals set out in its Business Plan without new sources of financing. To ensure the quality and reliability of services, we estimate that our network will need investments of some \$3.5 billion over the next ten years. The STM needs a new financial framework to meet its obligations, improve customer service and consolidate its ridership.

Although the 2004 Budget anticipated a \$20.4 M shortfall, the STM ended its fiscal year 2004 with a \$6.3 M deficit. Such a result was made possible thanks to tighter controls over spending, to the government of Canada's decision to fully refund our GST (\$4 M), and to the additional \$2.4 M contribution by the Agence métropolitaine de transport. The rating firms of Standard & Poor's and DBRS have acknowledged the corporation's sound management by maintaining their respective A+ and A (high) ratings.

Despite these results, no one can deny that public transportation has been plagued by chronic underfinancing since the Québec government withdrew its financial support in 1992. The financing issue is now fully acknowledged by the ministère des Transports, who offered \$20 M to transit corporations for 2005, with \$13.2 M set aside for the STM, on condition that municipalities served by public transit contribute equivalent amounts.

Meanwhile, the subject of a new financial framework continues to be discussed. Last December, the publication of a document entitled *Le financement du transport en commun, une approche intégrée* (An integrated approach to funding public transportation) had led us to believe that the Québec government truly wants to provide public transit companies with the means to ensure consistent, predictable, sufficient and long-term funding. We see this as a first step towards discussing the real issues and solutions to curb the

problem once and for all. We can only hope these measures will be implemented in 2005.

So while governments are going green, public transit is increasingly short of breath. Yet it is at the core of any serious strategy for sustainable development. In fact, for every kilometre travelled, a transit user produces four times less air pollution, burns five times less energy and uses twenty times less space than a motorist. Such efficiency gains translate into several million dollars and add to the \$937 M of economic benefits generated by public transportation in the Montréal area. These numbers illustrate beyond a doubt that public transportation is a powerful engine of economic development, and that any investments will benefit the entire community.

Investing in public transportation... is investing in our future.



Claude Dauphin  
Chairman of the Board of Directors



Pierre Vandelac  
Director General

# THE CORPORATE STRUCTURE

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## BOARD OF DIRECTORS

(DECEMBER 31, 2004)

### **M<sup>c</sup> Claude Dauphin**

Chairman

Montréal city councillor

Chairman of Lachine Borough



### **Marvin Rotrand**

Vice-chairman

Montréal city councillor

Côte-des-Neiges/Notre-Dame-de-Grâce Borough



### **Yvette Bissonnet**

Montréal city councillor

Saint-Léonard Borough



### **Bernard Blanchet**

Borough councillor

Lachine Borough



### **Jacques Cardinal**

Montréal city councillor

Chairman of Sainte-Genève

Sainte-Anne-de-Bellevue/L'Île-Bizard Borough



### **Pierre Lapointe\***

Montréal city councillor

Ahuntsic/Cartierville Borough



### **Dominic Perri**

Montréal city councillor

Saint-Léonard Borough



### **Brenda Paris**

Public transit users'

representative



### **Marie Turcotte**

Paratransit users'

representative



\* Nominated in January to replace John W. Meaney whose mandate had ended.

## AUDIT COMMITTEE

(December 31, 2004)

**Jacques Cardinal**

Chairman

Montréal city councillor

Chairman of Sainte-Geneviève/Sainte-Anne-de-Bellevue/

L'Île-Bizard Borough

**Pierre Lapointe**

Vice-chairman

Montréal city councillor

Ahuntsic/Cartierville Borough

**Pierre Vandelac**

Director General

STM

**Michel Bélanger, FCA**

External Member

Financial Management Advisor

**Robert Desforges, CA, Adm. A**

External Member

Desforges, Germain, Gendron, CA

## CUSTOMER SERVICE COMMITTEE

(December 31, 2004)

**Marvin Rotrand**

Chairman

Montréal city councillor

Côte-des-Neiges/Notre-Dame-de-Grâce Borough

**Yvette Bissonnet**

Montréal city councillor

Saint-Léonard Borough

**Brenda Paris**

Public transit users' representative

**Marie Turcotte**

Paratransit users' representative

**Pierre Vandelac**

Director General

**Robert Olivier**

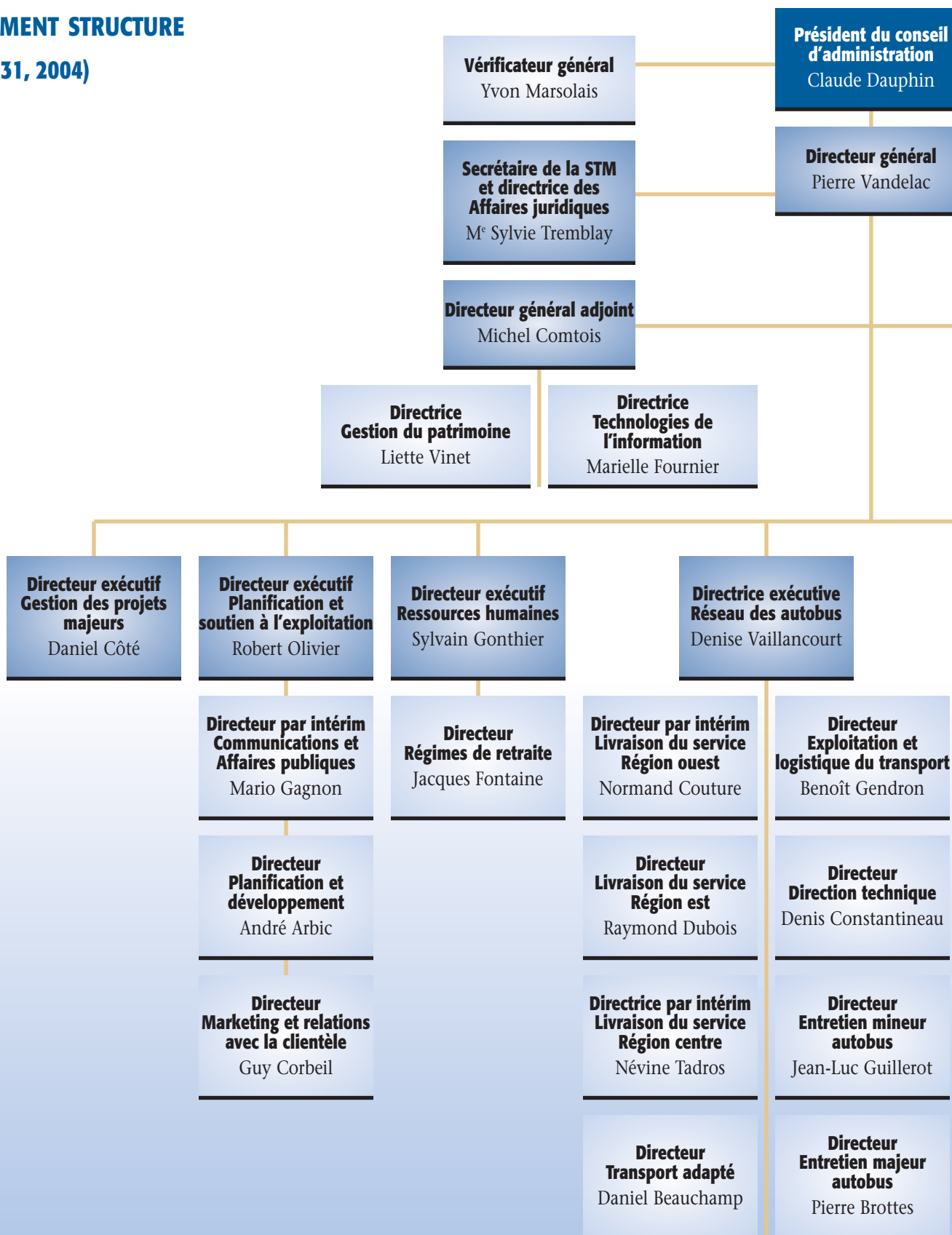
Coordinator

Executive Director

Planning and Operations Support

# MANAGEMENT STRUCTURE

(DECEMBER 31, 2004)



**Adjoint au président et  
au directeur général**  
Jean-Michel Lévesque

**Adjointe au directeur  
général**  
Manon Desautels

**Protectrice de la  
personne**  
Lorraine Pilon

**Directeur exécutif  
Réseau du métro**  
Carl Desrosiers

**Trésorière et  
Directrice exécutive  
Finances et  
approvisionnement**  
Francine Gauthier

**Directeur  
Exploitation des trains**  
André Poisson

**Directeur  
Exploitation des  
stations et  
Surveillance**  
Serge Dupont

**Directeur  
Approvisionnement**  
Pierre Rocray

**Directeur  
Entretien des  
équipements fixes**  
Sylvain Duquette

**Directeur  
Entretien du matériel  
roulant**  
Claude Savage

**Directeur  
Ingénierie métro**  
Dominique Lemay



# HIGHLIGHTS





## THE 2004-2008 BUSINESS PLAN

The STM adopted a 2004-2008 Business Plan that is aimed at securing a five-year financial commitment from the City of Montréal and its other partners. It has decided to go forward with this plan despite the persistent uncertainty surrounding public transportation's corporate and financial issues that affect the Metropolitan Montréal area. Such a commitment is a reflection of the ambitious goal embraced by the STM: to become the best public transit company in North America.

To accomplish this, the STM will fine-tune its offer of service to match the needs of transit users, invest in its asset base, reduce its operating costs, and renew its workforce, all in preparation for the upcoming changes.



The scope of these challenges and issues has led the STM to set out strategic corporate goals around which it can articulate projects and resources over the next five years:

- Improving customer satisfaction;
- Increasing autonomous revenue;
- Improving the performance of bus maintenance;
- Reducing the company's operating costs;
- Maintaining the métro's reliability;
- Optimizing change management and workforce adaptation measures.

Each one of these goals is supported by strategies for which specific plans of action have been developed, including performance indicators. For example, these would include deploying an integrated, multi-modal, rapid-transit network, improving the service offer in the Island of Montréal's east and west sectors, developing the corporation's commercial potential, reducing the cost of bus maintenance, optimizing both administrative and operational business processes, renewing the métro's infrastructure and stationary equipment, proceeding with the acquisition of new rolling stock, renovating second-generation (MR-73) métro cars, implementing strategies to renew the workforce and proposing a comprehensive training programme.

### PROGRESS REPORT: YEAR ONE OF THE BUSINESS PLAN

The 2004-2008 Business Plan calls for the commitment of all employees to fully satisfying customer needs and demonstrating corporate performance. The amount of work accomplished, as well as the achievements of Year One, confirm the overall will to move forward.

#### Improving customer service

Efforts to improve customer service were numerous, as demonstrated by several large-scale projects. Among those that come to mind are the new transit information tools for customers and supporting activities promoting new and improved telephone systems and bus stop panels, as well as the updated TRAJET, TOUS AZIMUTS and HASTUS computer modules whose performance levels have been greatly enhanced.

With respect to operations, a comprehensive review was carried out of bus service in Rivière-des-Prairies and the eastern tip of the island in order to produce better transit options and direct links with the métro. The result: 850 new clients! At Côte-Vertu métro station, a brand new

bus terminus was built and the project's execution was successfully carried out thanks to precise planning. The acquisition of 107 buses went a long way to renewing the fleet of vehicles, while the installation of 57 new bus shelters and the upgrading of 50 others largely contributed to increasing the comfort of transit users. The accessible bus network gained an additional 25 bus routes, making it even easier for wheelchair users to ride the regular bus network. At Paratransit, teamwork and greater control of the new management tools have substantially improved results. Thus, ridership has increased 6.5%, the call centre has improved its performance and complaints have dropped by nearly 21%.



At the métro, the fight against graffiti and the various measures used to counteract the phenomenon are producing conclusive results. Now, the aim is to remove graffiti within 24 hours of their discovery. Modifications to crucial components on the MR-63 door mechanisms have had a direct impact on the reliability of doors, which has improved by 37%.

#### Increasing autonomous revenue

Developing the corporation's commercial potential is one of the proposed strategies for increasing commercial revenue by 50%. The creation of Transgesco, a subsidiary company wholly owned by the STM, will enable the transit corporation to form partnerships with private enterprise to ensure the strategic development of its full commercial potential. Moreover, these agreements must benefit transit users inasmuch as they must lead to improvements in the quality of transit services and generate revenue that will be reinvested into service improvements.

According to several studies, five areas of activity present interesting commercial potential and warrant further development: retail outlets in the métro, customer information, smart cards, wireless communications and marketing transit expertise. So far, Transgesco has reached two agreements with partners who will be investing between \$7 M and \$10 M in the STM's network to carry out their projects.

Among these business associations, the deployment of a new communications tool for métro stations, Métrovision, is a first in North America. Exploiting the commercial potential of métro stations through Métrocom will also enable the transit corporation to offer products and services adapted to the needs of transit users. With respect to revenues, it is worth noting that the increased presence of fare collectors at métro station booths has led to improved fare control.

The STCUM became the STM in January 2002 as a result of municipal mergers. In the wake of that change, the Québec government modified the incorporating act of transit companies, thereby making it possible for them to establish subsidiary companies.

### **Improving the performance of bus maintenance operations**

Several changes to the Bus Network's approach to maintenance issues have produced results throughout the year. Owing to efficiency gains at the Crémazie shops, to a remarkable improvement in bus reliability, and to a sharp decline in the number of buses sidelined for lack of parts, the September 2004 back to school period went ahead smoothly without service cutbacks. Overall reliability has improved considerably, with the mean distance between failures jumping from 3,080 km to 3,537 km. The reliability of third-generation low-floor buses should also be emphasized, as their MDBF reaches 5,167 km. The maintainability and reliability of low-floor buses in the 16-000, 17-000 and 18-000 series is also on the right track: thanks to a programme set up with the financial support of the ministère des Transports du Québec (MTQ), solutions were found for several problems. The programme drew on the knowledge and experience of several maintenance employees and of the technical and operational planning departments, who spared no effort in implementing it.

### **Reducing operating costs**

The STM carried out a major downward adjustment to its operating costs to ensure that every dollar spent provided maximum benefits to transit users. The company's performance-enhancing project called on the participation of over 200 of its managers.

In order to improve cost controls, management of the Crémazie shops developed a valuation system for produced parts, so that internal clients know the real cost of services. The warranty management programme, used in many of the corporation's sectors, enabled the recovery of some \$3.7 M, by claiming parts and labour from suppliers. Of that amount, the Bus Network alone claimed \$3.6 M. And to further reduce operating costs, the company also managed to maintain its acquisition costs at 2% below inflation.

In cooperation with Imperial College of London, the Bus Network has also helped establish a benchmarking group to create relationships with other public transit networks around the world. Their work will make it possible to draw comparisons between transit systems and to exchange about the industry's best practices.



### Maintaining the métro's reliability

As part of Phase 2 of the Réno-Stations programme, work undertaken to maintain and upgrade the métro's infrastructure has continued in 12 auxiliary structures, including pumping stations, ventilation units and power sub-stations.

Phase 1 of the Réno-Systèmes programme was also initiated, thanks to a financial aid package of some \$309.4 M. After more than 37 years of service, the métro's stationary equipment has indeed reached the end of its service life and must absolutely be replaced. Escalator replacement work has begun in some stations and several worksites have been set up. As for the Guizot ventilation unit, its construction is just about completed. This technologically sophisticated equipment will not only make the métro more comfortable for transit users, but will also improve the efficiency of emergency ventilation.

Replacement of the public address system is also underway, and a prototype is currently being tested at Préfontaine station. Once installed, the new system will improve the sound quality and range of transit information being broadcast.

### Managing change

In order to deal with the large number of anticipated retirements over the next few years, manpower requirements have been identified, taking into account the scarcity of candidates in some specialized trades. Renewing the labour force has begun with the hiring of 556 new employees in 2004 alone (236 drivers, 196 cleaners and 124 others in various job categories), instead of the 400 initially forecast. Thanks to an updated and improved recruitment process, the corporation is prepared to take on the challenge.

#### 2004-2005 PREBUDGET CONSULTATIONS

#### THE STM SUBMITS A BRIEF

During the Québec Finance Minister's 2004-2005 Prebudget Consultations held in February, STM Chairman Claude Dauphin submitted a brief that emphasized the urgent need for investment in public transportation. The document reminded the government that public transit is an essential service and that the STM needs new sources of financing to maintain its assets in good working order, guarantee its existing services and develop new ones.

### Montréal: a public transit city

Closely linked to the city's economic development and to improvements in the quality of life of all Montrealers, public transportation plays a major social role by providing, among other things, affordable access to places and services to low-income persons. Statistics show that one household out of three in Montréal does not own a car and that Montrealers are heavy users of public transportation. Indeed, according to the Canadian Urban Transit Association, Montréal has the highest annual rate of commutes per capita in Canada, with 200, compared to 169 in Toronto, 87 in Longueuil, and 51 in both Vancouver and Laval.

### Managing transit development

Public transportation is going through a major financial crisis. Transit users have had fare increases of 20% imposed upon them within thirteen months, while the city – whose per capita contribution is the highest in Québec – has increased its share by 11%, from \$236 M to \$263 M since the municipal mergers. If nothing is done in the short term, the STM's \$6.3 M deficit for 2004 could reach some \$61.2 M by 2008, due to the pressing investments required in the métro to maintain its reliability.





## THE HENRI-BOURASSA STATION CLOSING

### A CHALLENGE HANDLED SUCCESSFULLY

One of the most important challenges facing the STM in 2004 was no doubt the temporary closing of Henri-Bourassa station from May 15 to August 22 to allow for major construction work to be carried out with respect to the métro's extension to Laval.

Transitional measures were worked out jointly with the STM's partners (AMT, STL, CIT des Moulins and des Basses Laurentides, and the Ahuntsic/Cartierville and Villeray/Saint-Michel/Parc-Extension boroughs) in order to maintain an adequate level of service for transit users, while minimizing the inconvenience to residents.

For the STM, this vast operation meant adding 30,000 hours of service, mobilizing 45 buses,

From the start, overwhelming praise by both commuters and the media proved that the STM had indeed risen to the challenge. During the entire station closing, clients expressed their satisfaction with the transitional measures introduced and few complaints were received. Thanks to meticulous planning and strong employee involvement, the nightmare predicted by some media outlets when the station closing was first announced actually turned out to be a great success.

tiles along the edge of métro platforms and increasing the level of ambient lighting. Other demands by customers were integrated into the design specifications for future stations, such as escalators and elevators to ensure access at all levels. These new standards will apply to métro stations in Laval. Moreover, as part of the Fare Sales and Collection project, a committee was created specifically to oversee the needs of the mobility-impaired.



### Bus Network

Adapting bus shelters for wheelchair users to improve their accessibility is another ongoing project. The main concern of disabled transit users, however, remains the reliability of the retractable boarding ramp on low-floor buses. One of the main causes of this problem is the presence of abrasive materials, such as sand, gravel and de-icing salt that jam the mechanism. A few modifica-

tions were made on some low-floor models to make the units particle-proof and the system more impact-resistant. Results were encouraging and all low-floor buses have been modified. Finally, since June 21, the 20 nighttime bus routes have been accessible to wheelchair users, in addition to the 98 daytime routes already part of the accessible network.



### ACCESSING THE REGULAR TRANSIT NETWORK

#### THE POPULATION IS CONSULTED

Following public consultations held in June 2003, during which transit users submitted proposals to the Customer Service Committee about im-

hiring 70 bus drivers and 20 security officers, as well as setting up a shuttle service between Crémazie and Henri-Bourassa stations. Everything was planned around providing customers with the most efficient transit solutions possible under the circumstances. Transit operations were supervised and closely monitored, and transit users could count on STM staff for information and directions at all times.

proving access to the regular transit network, a second public meeting was held on May 5, 2004, when the STM presented the various actions and measures it had since undertaken.

### Métro Network

Several improvements were made inside the initial métro network and more are planned for phase 2 of the Réno-Stations programme, including the addition of full-length ramps and edge markings on staircase steps, the installation of raised

### Lending an ear to transit users

People attending the consultation took the opportunity to share their comments regarding the regular network's accessibility. These discussions generated more improvement ideas, and the STM will continue to follow up on suggestions by mobility-impaired transit users.

The Customer Service Committee is mandated to serve as liaison between the transit corporation and its users. It must therefore keep abreast of how customer expectations and satisfaction levels are evolving and submit recommendations to the Board of Directors. To that end, the Committee meets with transit user representatives to gather their comments and suggestions, as well as their expectations.

### CUTA'S CENTENNIAL CONFERENCE IS A SUCCESS!

From November 6 to 10, the STM played host to the Canadian Urban Transit Association (CUTA) Fall Conference 2004. This annual event took on a particularly special meaning as CUTA celebrated its 100<sup>th</sup> anniversary in 2004. In fact, the



first Canadian urban transit association was formed in Montréal in 1904. More than 400 delegates and some fifty speakers, including experts from the STM, participated in the conference themed «A Century of Moving Canada».

### TRANSFERRING BACK PART OF THE FEDERAL TAX ON GAS

The STM welcomed the announcement on November 10 by federal Transport Minister, the Honourable Jean Lapierre, calling for a percentage of the tax on gas to be used to finance two of the government's main priorities: public transportation and water infrastructure. The minister acknowledged on the one hand that public transit is a priority for the Canadian government and, on the other, that transit requires more adequate financing.

According to Mr. Lapierre, the government intends to gradually remit 5¢/litre to the provinces to fund infrastructure work for both water and public transportation. About \$500 M would be remitted to public transit corporations in Québec over the next five years. The STM expects to receive some of that amount for its capital works expenses.

Pleased by the announcement, STM management hopes the Québec government will reach an

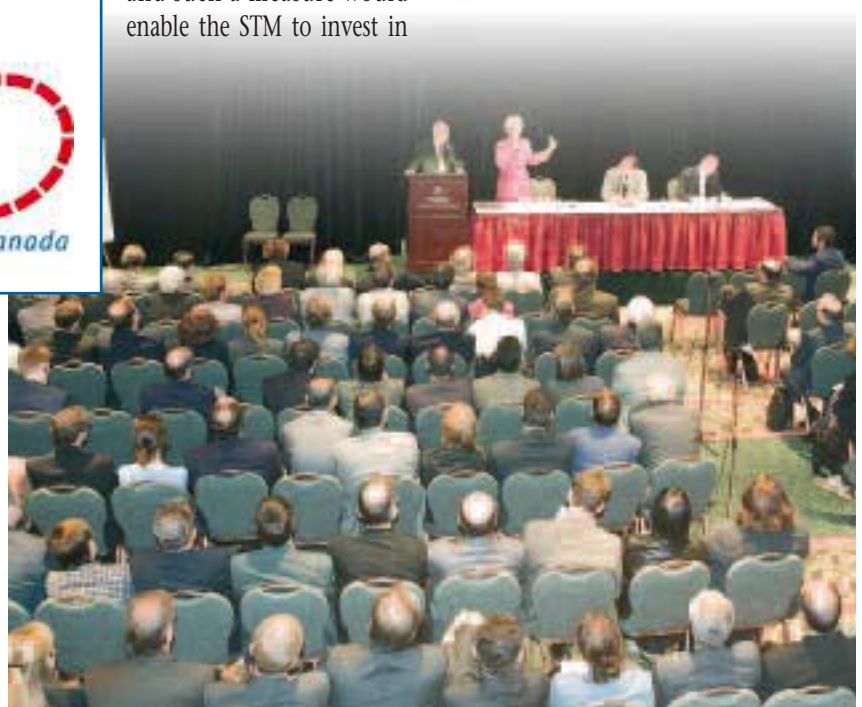
agreement with the government of Canada regarding the transfer of these sums in 2005. Public transit needs more adequate financing and such a measure would enable the STM to invest in

modernizing its infrastructure. These overdue upgrades would directly benefit the entire community and the millions of people who use STM services each year.

### XVII ENTRETIENS JACQUES CARTIER

#### THE STM HOSTS A CONFERENCE

On October 7 and 8, as part of the XVII Entretiens Jacques Cartier, the STM hosted a conference dealing with the issues of financing in public transit. More than 300 people took part in this meeting that offered an opportunity to debate the necessity of establishing efficient, performance-driven public transit services and of supporting them with reliable and adequate financing. The conference also offered the opportunity to present some bold and original experiments that have been carried out in London, Paris, Stockholm and Vancouver.



# THE BUS NETWORK





At the Bus Network, efforts by employees in all sectors, from operations to maintenance, made it possible to obtain very respectable results, such as a 25% reduction in the number of complaints related to service, an increase in service delivery (from 99.37% to 99.51%), an increase in on-time performance (from 81.60% to 82.64%), and a reduction in the number of road accidents (from 4.7 per 100,000 km to 4.5). As for the budget, overall savings exceeded three million dollars.

The implementation of transitional measures, including a shuttle service during the closing of Henri-Bourassa métro station, presented a huge challenge, one that was successfully carried out. Virtually no complaints were received and media coverage was extensive. The recently introduced *SmartDriver for Transit* programme should also prove to be a popular success, as it aims at reducing greenhouse gas emissions by the fleet of vehicles, which in turn will help the STM contribute to reaching Kyoto Accord objectives.

Changes in the approach to maintenance issues also produced results. Gains in efficiency at the Crémazie shops, improvements in the reliability and maintainability of low-floor buses and a sharp decline in the number of buses sidelined for lack of parts ensured, among other things, that the September back to school period went smoothly, without any service cutbacks.

Paratransit is also a factor behind the Bus Network's strong performance. Teamwork and the staff's growing proficiency with the new ACCES 5 system have indeed led to considerable improvements in results. During the year, ridership was up by 6%, the call centre's performance has increased and comments have dropped by nearly 20%.

To support those performance improvements, the Bus Network initiated the creation of a benchmarking group that includes transit authorities from London, New York, Paris, Berlin, Dublin, Madrid, Barcelona, Hong Kong and Moscow. By establishing relationships with sister transit companies, the STM can compare

its methods to others and review the industry's best practices. A similar group was formed with public transit companies in Québec, members of the *Association du transport urbain du Québec* (ATUQ).

### REDESIGNED BUS SERVICE IN RIVIÈRE-DES-PRAIRIES

Following the Montréal Summit, the STM held public consultations in fall 2002, giving Rivière-des-Prairies residents an opportunity to express their transit needs and expectations. Based on that information, the STM reviewed its service offer in the area and created faster, more direct and efficient bus connections, better suited to the requirements of commuters. These sweeping changes came into effect on August 30.





## Two new bus routes

Employees of businesses located along Henri-Bourassa boulevard now enjoy new rush hour service with the 40 – Henri-Bourassa Est. As for the 87 – Marien, it will make commuting easier between Rivière-des-Prairies and the industrial sectors of Pointe-aux-Trembles and Montréal-Est. The new bus route replaces the former 255 – Gouin/Notre-Dame minibus service, and its shorter route and improved frequency will save time for transit users.

## Improved routes

Running in both directions along Rodolphe-Forget, the 48 – Perras and 49 – Maurice-Duplessis (the former 49 – Léger) routes will certainly accommodate residents living close to Perras and Maurice-Duplessis Boulevards by taking them directly to Henri-Bourassa métro station. The 33 – Langelier, 43 – Monselet, 183 – Gouin Est and 194 – Métrobus Rivière-des-Prairies routes were also modified to provide better alternatives for local travel in the sector. Moreover, the terminus for the 43 – Monselet has been relocated to Marie-Victorin CEGEP.

Four bus routes (the 44 – Armand-Bombardier, 77 – Cégep-Marie-Victorin, 148 – Métrobus Maurice-Duplessis and 199 – Métrobus Lacordaire) will maintain their popular rapid service to stations on the métro's Green line.

## Convincing results

The STM then measured the performance of these new routes to ensure they actually met the requirements expressed by local residents. Customer surveys also showed that overall ridership had grown by 23% in the sector, and that these new services had attracted some 850 new transit users. The direct routes to Henri-Bourassa métro station benefitted some 2,000 clients, while another 5,600 cut their commuting time by two to twenty minutes. These are very positive results, and they clearly indicate that additional investments in public transit make it possible to provide more service and significantly increase ridership.

Moreover, in response to demands by residents, the STM reviewed local service and agreed to create the 41 – Rivière-des-Prairies route. Following comments from parents of children attending a nearby elementary school, the 87 – Marien route was also modified to improve bus safety in the school zone. Lastly, vehicles were added on both the 48 – Perras and 49 – Maurice-Duplessis routes to meet the demands of increased ridership.

## PARATRANSIT'S ACCÈS PROJECT

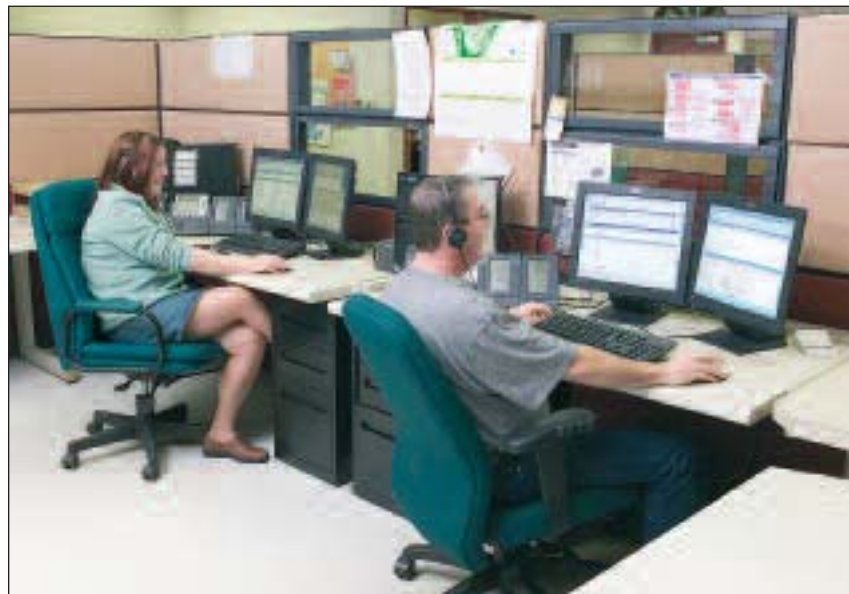
### IT'S UP AND RUNNING!

The *Accès* project's main purpose was the replacement of the software used by Paratransit to process all trip requests, as the older version was no longer able to optimize the resources dedicated to service delivery. After analyzing and evaluating the various software products available on the market, the STM selected the ACCES 5 package by Giro.

The project was designed to provide better customer service in the short and long term and to lower the average cost per trip, and those goals have been met. Indeed, thanks to this project:

- 6.5% more trips were carried out, while call centre staff was reduced by 17.9%
- minibus productivity increased by 5.5%
- minibus mileage per trip decreased by 2.5%
- the unit cost of trips by accessible taxi was lowered by nearly 20% on average
- the number of trips by taxi has increased by 9.2%

These results clearly demonstrate that the project's challenges, including reorganizing the work environment, were successfully met. Mission accomplished!



In addition to the anticipated savings, the STM was aiming at:

- Reducing the time needed to reach an agent at the call centre and obtain confirmation of trip requests;
- Improving schedule adherence;
- Increasing the number of trips within the same budget allowance.

## OUR DRIVERS ARE GOING GREEN

The Bus Network joined the *SmartDriver for Transit* programme introduced by *Natural Resources Canada*, as part of the overall efforts to reach the goals set out by the Kyoto Accord, aimed at reducing greenhouse gas emissions (GHG).

During the two-day training course, drivers will have the opportunity to learn the basics of fuel-efficient



driving techniques, as well as reviewing the checklist verification procedure required prior to operating the vehicle. Bus drivers are the experts of the road: they know their routes and how their vehicle reacts. It is a matter of fine-tuning their technique, of doing that *little extra* that will not only reduce emissions of greenhouse gases into the atmosphere, but also improve the comfort of passengers and decrease driver stress. The training course is based on defensive driving techniques.

*SmartDriver for Transit* is a nation-wide training programme gradually being adopted by the various transit authorities across the country. So far, fuel savings of about 8% have been observed, as well as lower stress levels among drivers who have attended the workshop.



## THE ACCESSIBLE NETWORK IS EXPANDING

In 2004, another 25 bus routes were added to the network of routes available to wheelchair users, raising the total to 118 routes that can be used by the mobility-impaired. On January 5, the 535 – R-Bus Du Parc/Côte-des-Neiges, the network's busiest route, and the 106 – Newman were the first to be added, followed on March 29 by the 410 – Express Notre-Dame, 430 – Express Pointe-aux-Trembles and 506 – R-Bus Newman bus routes. Then, on June 21, the network was further expanded with the 20 night time routes. With the addition of routes providing fast service over longer distances and night travel,



wheelchair users enjoy increased autonomy and can now travel during periods when no Paratransit service was available to them.

With over 63% of its regular bus routes now providing public transportation service to persons in wheelchairs, the STM is a leader in terms of accessibility.

## NEWLY INTRODUCED AND MODIFIED SERVICES

### 110 – Centrale

In Lachine Borough, the 110 – Centrale was re-routed to provide service on Saint-Antoine in both directions between 24<sup>th</sup> Avenue and 32<sup>nd</sup> Avenue, as well as to improve access to community halls and sports facilities. Buses now run south on 24<sup>th</sup> Avenue, between Provost and Saint-Antoine. The section of Provost Street between 25<sup>th</sup> Avenue and 32<sup>nd</sup> Avenue is no longer served by the 110 route, but transit users can take either 190 – Métrobus Lachine or 191 – Provost routes instead.

### 195 – Sherbrooke/Notre-Dame

In a bid to provide improved public transit services to businesses along Elmslie Street in LaSalle Borough, the 195 – Sherbrooke/Notre-Dame bus route was also modified. Inria Items, with a workforce of over 1,300 employees, had moved its operations to Elmslie Street. To encourage public transit use by these workers without penalizing current commuters, the STM decided to modify the 195 bus route to run along Elmslie and Dollard Avenue. Thus, LaSalle Borough agreed to open up Elmslie on land occupied by an STM bus garage, so that service could be provided along that street.





### Shared taxi service in Lachine and in Saint-Laurent Boroughs

In February, the STM introduced a shared taxi service to improve public transit in Lachine Borough, thereby establishing a link between residential sectors west of 32<sup>nd</sup> Avenue and the commuter train station. Rush hour service is provided by the *Coopérative des propriétaires de taxi de l'Ouest*, Monday to Friday, heading to the Lachine train station in the morning and back to residential neighborhoods at the end of the day. Taxi trips are synchronized with train departures and arrivals.

Later, in May, the STM introduced another shared taxi service in Saint-Laurent Borough to create a link between Place Vertu and the Aldo shoe manufacturing facilities located on Poirier Boulevard. Service is provided at five-minute intervals, Monday to Friday, during rush hour. Moreover, evening service is also available, from Sunday to Thursday. The new shared taxi service thus ensures that workers can still reach Place Vertu — regardless of their work schedule — where the 121, 196 and 213 bus routes converge. It will also allow the STM to assess potential bus ridership in the area, for future service developments.

The STM already provides public taxi services between Lachine's industrial park and Dorval train station, in Île-Bizard, Senneville and in the Sainte-Marie sector of Sainte-Anne-de-Bellevue.

### NEW BUS TERMINUS AT CÔTE-VERTU MÉTRO STATION

On October 26, following 25 weeks of construction, the Agence métropolitaine de transport (AMT), in cooperation with the City of Montréal, Saint-Laurent Borough, the STM and STL, officially opened the north side facilities of the new metropolitan bus terminus, adjacent to Côte-Vertu métro station. Installations on the south side should be ready by January 2005. Buses now operate in a separate area away from residential streets, providing transit users with a safe and efficient

Thirteen STM bus routes now converge on the new site and four others have moved their boarding zones away from the street. Every effort was expended to keep transit users informed of the work's progress. STM information squads were deployed and 20,000 transit notices were distributed. In addition, posters and road signs were installed to support the work of staff on hand.



boarding zone for transfers. They also enjoy spacious, safe and comfortable bus shelters. Ambient lighting was upgraded for additional security for both pedestrian and motor vehicle traffic, while surveillance cameras linked to the AMT's control centre ensure permanent monitoring of the area.

## BUS NETWORK STATISTICS

**186 BUS ROUTES (INCLUDING 20 FOR NIGHT TIME SERVICE)**

**11 RESERVED LANES COVERING A DISTANCE OF 45.5 KILOMETRES**

### BUS FLEET

Standard buses	665
Low-floor buses	898
Paratransit minibuses	94
Urban minibuses	4

### ON-TIME PERFORMANCE (Expressed in %)

	2001	2002	2003	2004
Goal (-1 min. + 3 min.)	78.9	82.1	81.6	82.6

### TOTAL DISTANCE TRAVELLED (KM)

Buses (planned schedules):	70,784,280
Paratransit minibuses:	3,073,589

### ACCIDENTS WITH DAMAGES INVOLVING A BUS OR MINIBUS (per 100,000 km)

	2002	2003	2004
	4.23	4.70	4.64

### MOST HEAVILY-USED BUS ROUTES (Average daily ridership – weekdays)

1.	80 – Avenue du Parc	14,900
	165 – Côte-des-Neiges	20,700
	535 – Voie réservée du Parc/Côte-des-Neiges	34,600
		70,200
2.	67 – Saint-Michel	41,400
3.	139 – Pie-IX	34,600
	505 – Voie réservée Pie-IX*	6,700
		41,300
4.	121 – Sauvé/Côte-Vertu	34,400
5.	69 – Gouin	28,900

\* Although buses have not used the reserved lane running opposite to traffic on Pie-IX since 2002, the 505 bus route continues to provide curb-side service.

### DELIVERY OF PLANNED SERVICE

	2002	2003	2004
	99.31%	99.38%	99.51%

### LOWER OPERATING COSTS

#### Cost per bus trip

- Goal: \$2.33
- Result: \$2.24 (by October 31)

#### Cost reductions

- Bus Network: \$3 M
- Paratransit: \$0.8 M

# THE MÉTRO NETWORK

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Even though our métro is almost 40 years old, it is as reliable as ever, thanks to the tireless efforts of métro staff each and every day. In 2004, the métro carried 217.2 million passengers, 1.5 million less than in 2003, and 97.87% of them arrived on time, up from 97.83% the previous year. The number of service disruptions lasting five minutes or more declined slightly with 862 such events, 20 less than in 2003. Over half of these disruptions were caused by outside factors or those beyond the STM's control. As for the métro's rolling stock, the mean distance between failures (MDBF) lasting five minutes or more increased by 27.6%, from 250,595 km to 319,772 km. The system's overall performance likely explains the 23% drop in complaints compared to 2003.

Along with the Bus Network, the Métro Network truly shone when the transitional measures surrounding the temporary closing of Henri-Bourassa station were implemented, as part of the work to extend the métro to Laval. The installation of new signalling stations and temporary work areas, as well as equipment modifications and signage inside the affected stations are only a few of the measures that made it easier for commuters during this period.

In April, the American Public Transit Association (APTA) carried out its third audit in eight years of the métro's programme for safety and security improvements. Their conclusions point to a healthy programme, one that surpasses the industry average. Nineteen best practices were identified, one of the highest numbers recorded by a public transit company within an audit cycle, further evidence of the scope and strength of the STM's operations security management programme.

The Métro Network is still facing huge challenges, including the replacement of first-generation (MR-63) rolling stock. The cost of that project alone is estimated at 1.2 billion dollars, and the STM is still waiting for the Québec government to approve funding. In the meantime, métro reliability must be maintained with the rolling stock that runs an average of

200,000 km between breakdowns of five minutes or more. It is worth noting that the majority of public transporters around the world have set the useful life span of their métro cars at 40 years.

### NEW INFORMATION MEDIA IN THE MÉTRO

A new urban television system, a first in North America, was launched in the Montréal métro on September 27. Métrovision introduced this novel communications media in collaboration with the STM, in response to the very real need for information expressed by transit users.

In the first phase of installation, Métrovision strategically positioned 22 giant screens along the platforms inside Berri-UQAM métro station, providing commuters with a pleasant experience while informing them about transit services. According to a survey of regular métro users by Descarie & Complice, nearly 80% of customers say that information in real-time in the métro is foremost among their expectations. Urban television is a direct response to that need, as it makes fast and efficient communications with transit users possible.



### Useful and relevant information

Métrovision allows some 7.6 million passengers a month, at Berri-UQAM station alone, to receive useful and relevant information, in real-time, such as the current time, when to expect the next métro, and other information about the status of transit service.

Métrovision is a privately-owned company, established by Pierre Béland, Pierre Arcand and André Décarie, and by Transgesco, wholly-owned by the STM. As associates, they created a limited partnership, Montréal Super TV, operating under the trademark name of Métrovision.

### STATION NAMES AUTOMATICALLY ANNOUNCED ABOARD MR-63 ROLLING STOCK

Train operators on the métro's Green line are responsible for announcing the name of the next station. This "human intervention", however, also curtails the consistency of public address messages. Indeed, doing it manually produces wide variations in speech, format, intonation and volume from one operator to the next. The broadcasting of clear, audible and standard messages aboard all trains will improve customer satisfaction in that respect.

As such, the installation of new signalling units will allow for new transit user information messages to be added or modified in future, while upgrading the display of information about the train's operating status, by replacing the older analog instruments with digital ones equipped with light-emitting diodes. These new systems will be integrated into the trains' control panels, which the STM will be installing at a rate of 40 to 50 a month until the end of July 2005.



## ESCALATORS ON "STANDBY" MODE

The métro's escalators were the subject of a pilot project aimed at increasing the service life of the equipment, while saving on electricity and maintenance costs. When the escalator is not used during a pre-determined period of time, it slows down automatically until it reaches its "standby speed", a feature that extends its service life and reduces operating costs. As soon as someone steps onto the escalator, their presence is automatically detected, and the escalator gradually quickens its pace until it again reaches its normal operating speed.



Between now and 2009, CNIM will gradually install the speed regulating system as the firm replaces the métro's 145 escalators, as well as the two moving sidewalks at Beaudry station. Escalators in the three stations in the Laval extension will also be equipped with the new device.

## TRACK MAINTENANCE SHOP EXPANSION

In June, the STM laid the groundwork to expand the track maintenance shop located on Henri-Julien Street. Scheduled to be completed by March 2005, the construction work will make way for, among other things, an additional track for rail-mounted service vehicles for the three new Laval stations. Because the building extension construction site will be completely enclosed, the noise levels generated by moving vehicles should be considerably reduced, overall good news for residents living nearby.



## WIRELESS TELEPHONES IN THE MÉTRO

### A FIRST IN THE COUNTRY

Bell Canada, the country's leading communications firm, became the first wireless service provider to expand its digital coverage inside the Montréal métro, as part of a pilot project carried out in the Berri-UQAM, Saint-Laurent, Place-des-Arts, McGill and Peel stations. Nearly 88% of all travellers transit through one or more of these stations, among the network's busiest. Bell customers are now able to use their cellphones in all indoor spaces, including aboard trains inside stations and tunnels. The initial project, whose costs were entirely borne by Bell Canada, will make it possible to assess the potential for providing coverage within underground métro lines in Montréal and elsewhere in Canada. Thanks to its partnership with Bell, the STM became the first public transit company to offer this value-added feature to métro users.

## REPORT ON THE STATE OF THE ARTWORK IN THE MÉTRO

Last fall, as a first step in maintaining the integrity of its architectural and artistic assets, the STM initiated a study on the state of its artwork in the métro. Our underground network stands out among the majority of métro systems around the world thanks to the stations' diverse architectural styles and the rich collection of artwork that

includes sculptures, stained glass panels and murals, to name but a few. Regrettably, some of the artwork is showing signs of deterioration, mainly due to age and vandals.

Thus, the STM called upon specialists at the Québec Conservation Centre for their assistance in correcting the situation. The multidisciplinary team of professionals began by reviewing the state of some thirty works of art. Each one was closely examined and the experts' findings were detailed in a report that contained a full description of the artwork, its current state, and a list of measures to be taken in the short and medium term regarding its maintenance and eventual restoration, if needed. In addition, a maintenance checklist was prepared for each work of art, specifying which products should be used for regular upkeep, directions for using these products, and the frequency of use. A training session is also scheduled for métro maintenance workers to raise their awareness of the importance of this aspect of their work.





## MÉTRO STATISTICS

**4 LINES TOTALLING 66 KM OF TRACK AND SERVING 65 STATIONS**

**FLEET OF 759 CARS, OF WHICH 336 ARE MR-63 AND 423 ARE MR-73 MODELS**

**KILOMETRES TRAVELLED (WITH PASSENGERS): 58,837,694**

### BUSIEST STATIONS

1. McGill:	11,333,531
2. Berri-UQAM:	11,067,519
3. Longueuil—Université-de-Sherbrooke:	7,375,439
4. Guy-Concordia:	7,077,669
5. Atwater:	6,535,564

### BUSIEST DAY

Thursday, February 5 with 811,880 entries.

### RELIABILITY

#### Number of incidents lasting 5 minutes or more

CAUSES	2003	2004	%
Mischief, ill passengers	455	477	4.8
Rolling stock	234	184	-21.4
Train operations	82	70	-14.6
Stationary equipment	67	69	3.0
External causes	27	24	-11.1
Miscellaneous	17	38	123.5
<b>Combined</b>	<b>882</b>	<b>862</b>	<b>-2.3</b>

#### PUNCTUALITY: 97.9% OF TRANSIT USERS ARRIVE ON TIME (standard: under 5 minutes)

#### Number of trips delayed by 5 minutes or more\*

CAUSES	2003	2004	%
Mischief, ill passengers	2,521,721	2,547,793	1.0
Rolling stock	1,420,812	1,179,077	-17.0
Train operations	336,040	301,490	-10.3
Stationary equipment	323,238	393,915	21.9
External causes	168,049	120,697	-28.2
Miscellaneous	63,906	223,049	249.0
<b>Combined</b>	<b>4,833,766</b>	<b>4,776,021</b>	<b>-1.4</b>

\* It should be noted that the métro provided more than 217.2 million trips in 2004.

# MAJOR PROJECTS

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## THE RÉNO-SYSTÈMES PROGRAMME GETS THE GREEN LIGHT

The agreement reached as part of the *Infrastructure Canada-Québec 2000* programme was officially announced on March 22. As a result, Transports Québec, *Travaux d'infrastructures Canada-Québec 2000* and the Agence métropolitaine de transport (AMT) will financially support Phase 1 of the Réno-Systèmes programme aimed at maintaining the reliability of the métro's stationary equipment, including the Control Centre, the escalators in the initial 26-station network, telecommunications equipment and power supply components that must absolutely be replaced, as most have reached the end of their service life.



improve the feeling of security among transit users, while helping to reduce the number of cases of mischief causing service disruptions.

The métro is one of the achievements for which Montrealers feel the most pride. The federal-provincial agreement clearly demonstrates the importance for both governments of investing in its infrastructure. It also shows that it is in their interest to ensure the next phases are also carried out, as they are crucial to maintaining the integrity and reliability of services.

### Partnership with Dessau-Soprin

In November 2000, the STM reached a partnership agreement with the engineering firm Dessau-Soprin and created a project management office to carry out studies and to plan and supervise construction work, while ensuring that budgets and deadlines are respected. The agreement also calls for sharing expertise and implementing innovative solutions.



### Tangible improvements for transit users

The programme will also result in tangible improvements in the quality of service. Indeed, ventilation will be more powerful, yet quieter; the broadcasting of clear, audible messages will be made possible with the installation of an efficient public address system not only along the platforms but throughout each station; the reliability of escalators will increase as 41 of them will be replaced, as well as the two moving sidewalks in Beaudry station; the installation of 1,000 cameras and detection systems will help

The Réno-Systèmes programme consists of three phases, valued at nearly one billion dollars. The first phase extends to March 2006 and will be carried out without interrupting service, thus minimizing the impact on transit users. According to the Québec Statistics Bureau, 2,229 direct and indirect jobs will be created or maintained in the Montréal area, while generating combined tax revenues of over \$40 million, with \$27 million for Québec and \$13 million for Ottawa. The STM will contribute 12.5% of the total amount of the project's qualified expenditures and its \$38.9 million share will be financed by loan bylaws.

## THE FARE SALES AND COLLECTION PROJECT WORK IS PROGRESSING AT A STEADY CLIP

Launched in 2001, the Fare Sales and Collection Project will serve mainly to replace fare collection equipment, some of which dates back to the early 20<sup>th</sup> century! The partners include the STM, who is overseeing the project, the Agence métropolitaine de transport (AMT), the Société de transport de Laval (STL), the Réseau de transport de la capitale (RTC), the Réseau de transport de Longueuil (RTL) and the CIT for Sorel-Varennes.

The main goals are to simplify the process for purchasing and using transit fares for clients, to improve fare control, and to safeguard collected money, while increasing financial performance and providing greater fare options. The purchased systems and equipment will make it easier to use city bus, métro and commuter train networks.

The partners are working closely together to pave the way for other upcoming changes. In 2004, several preliminary steps were completed, including:

- Equipment prototypes being tested aboard buses;
- Site work being undertaken in preparation for the installation of equipment in the métro;
- Project partners each being visited by equipment suppliers.

The numerous partners involved in this rather complex project are also fine-tuning the design phase to adapt equipment to everyone's needs, reviewing the implementation strategy, drawing up a training programme, planning the installation schedule, new work methods and procedures, and detailing business processes.







### CREDIT RATINGS UPHELD

The firms of Standard & Poor's and DBRS have confirmed the quality of the STM's credit by maintaining their respective ratings of A + and A (high). Despite the increase in the Société's investment needs, the rating firms foresee a period of stability due to the strengthening local economy, the stabilization of municipal contributions and potential new sources of financing. In its report, Standard & Poor's underlined

**A+ A(high)**

the important role that the STM plays as an essential service provider in the largest metropolitan area in Québec.

On the other hand, DBRS stated that if nothing was done to ensure more stable sources of financing for public transit, there was a strong risk that the quality of service, affordable fares and, ultimately, the credit profile of the STM could suffer.

### PARTNERSHIP WITH THE CITY OF MONTRÉAL

In a bid to reinforce its management practices, the director of Information Technology at the STM decided in the late 1990s to introduce a new operating environment, the Information Technology Infrastructure Library processes (ITIL), widely acknowledged to represent the industry's best practices. This new management approach quickly produced

results, propelling the STM to the forefront of information technology in Montréal. In 2003, the head of IT for the City of Montréal learned of the results obtained by the STM and initiated discussions in order to learn from the STM's experience with ITIL. Both parties took the opportunity to exchange ideas on other areas of expertise in the field of Information Technology.

In the wake of these discussions, the City offered to provide STM staff with user support services in exchange for a transfer of STM expertise. The two parties found the proposal to be mutually beneficial

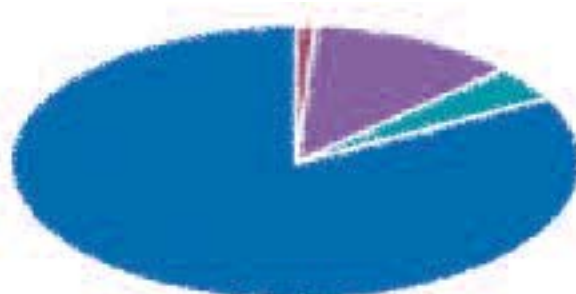
and signed a memorandum of understanding. Since February 1, 2004, the computer operations unit for the City of Montréal's police department, now an integral part of the City's IT department, provides assistance to STM computer users after regular business hours. This initiative made it possible to draw upon both the know-how of City employees and the STM's expertise, while generating savings of \$200,000 for Montréal taxpayers.

## STM STATISTICS



### REVENUE (IN THOUSANDS OF DOLLARS)

Passenger	368,176
Contribution by the City of Montréal	263,000
Québec government subsidies	69,570
Various contributions	62,951
Other revenue	<u>20,440</u>
	<b>784,137</b>



### EXPENDITURES (IN THOUSANDS OF DOLLARS)

Bus and métro service	652,284
Paratransit service	32,157
Debt servicing and financial costs	95,519
Unforeseen expenditures	—
Asset maintenance	<u>10,488</u>
	<b>790,448</b>

### DEFICIT (IN THOUSANDS OF DOLLARS)

(6,311)

**FARES (IN DOLLARS)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003 (janv.)</b>	<b>2003 (juil.)</b>	<b>2004</b>
<b>CAM</b>						
Regular fare	47	48.50	50	52	54	59
Reduced fare	20	22.50	25	26	27	31
<b>CAM hebdo</b>						
Regular fare	12.50	13.50	14	15	16	18
Reduced fare	6.50	6.75	7	7.50	8	9.50
<b>Strip of six tickets</b>						
Regular fare	8.25	8.50	9	9.50	10	11
Reduced fare	4.25	4.25	4.50	4.75	5	5.50
<b>Cash</b>						
Regular fare	2	2	2.25	2.25	2.50	2.50
Reduced fare	1	1	1.25	1.25	1.25	1.25
<b>Tourist Card</b>						
1 day	7	7	7	7	7	8
3 days	14	14	14	14	14	16

**FARE SALES**

<b>Fare</b>	<b>Regular fare</b>	<b>Reduced fare</b>
CAM	2.1 million	1.7 million
CAM hebdo	1.7 million	0.3 million
Strip of six tickets	36.5 million	13.3 million
Cash	19.2 million	2.5 million
<b>Tourist Card</b>		
1 day	59,087	
3 days	51,375	

**RIDERSHIP (IN MILLIONS)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
Bus and métro	363.2	363.20	358.40
Paratransit only	<u>1.5</u>	<u>1.43</u>	<u>1.52</u>
<b>Total</b>	<b>364.55</b>	<b>364.63</b>	<b>359.92</b>

# HUMAN RESOURCES

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Throughout the year, efforts were made by staff in the human resources sector to develop various ways and means to help tackle the challenges set out in the corporation's 2004-2008 Business Plan. In addition to preparing and implementing manpower planning guidelines for the replacement of retiring management and staff, HR personnel continued to support operations, in terms of change management as demanded by the various ongoing projects, and to advise management on a daily basis.

New computerized equipment was introduced to improve the efficiency of staff and information systems. Obsolete systems, such as GAT and SIMDUT, are being replaced, and new software to manage maintenance staff turnover and e-Recruitment are currently being developed. The company will reap the benefits of these new tools as early as 2005. Considerable effort was also put into the grievance conciliation process with the different unions, as well as the drafting of letters of agreement relative to contract negotiations.



## JOURNEYMEN DRIVERS

A pilot project was initiated in June at the Mont-Royal garage pertaining to a buddy system for bus drivers. This training strategy allows a new driver to be coached by a more experienced driver. Such a buddy system is not new at the STM; indeed, a similar strategy had already been used for training métro operators and Paratransit drivers. However, this marks the first time it is being used with drivers working the regular bus network.

Information about the project was provided to drivers over a two-day period and some one hundred drivers turned up to find out more. Afterwards, the selection process produced fifteen candidates, and chosen drivers were given four days of training to become journeymen-drivers. New drivers were then teamed up with their designated coaches and work assignments.

Coaches ensure the operational supervision of new drivers for whom they are responsible and only intervene to correct a situation, if needed; of course, they answer questions from their apprentices and share their observations with training agents. Drivers are experts in their field, they are experienced and are in the best position to help new drivers master the various aspects of their work. They complement the initial training, providing a valuable addition to the training course.

## A CONTEST TO HELP OUT NEW DRIVERS

As part of the bus driver recruitment campaign themed *Embarquez-vous?*, the STM and the *Caisse d'économie des employés* reached a 36-month partnership



agreement aimed at making it easier for new employees to finance their training costs.

In addition to granting loans to members for that purpose, the *Caisse d'économie des employés* organized a contest featuring a monthly draw for a full bursary among the new bus drivers hired the previous month.

Thanks to this agreement, selected candidates who do not yet have their crucial class 2 driver's permit and who must pay between \$800 and \$3000 to train in a specialized driving school can offset some of their outside training costs.

## RECRUITMENT: CONCRETE STEPS TOWARD GREATER DIVERSITY

The STM has had an Equal Access Programme since 1987, designed to increase the number of women and ethnic and visible minorities hired as drivers, cleaners and security officers. In 2001, new legislation provided a framework for such initiatives, making them mandatory for all public corporations in Québec. The STM's goal consists of filling 25% of staff positions in these key areas with members of ethnic and visible minority groups. It is an ambitious goal, one that was almost reached in 2004, and the results achieved so far are the result of the numerous actions undertaken by the Human Resources department.

EQUAL ACCESS PROGRAMME*			
	2003	2004	GOAL
Women	28.7%	32.3%	40%
Minorities	20.4%	24.6%	25%

\* Targeted positions: drivers, cleaning staff, security officers

## Holding information campaigns

The first difficulty to overcome is finding a way to reach potential candidates. The recruitment strategy has therefore evolved to become more focused, with as many different images as there are different targeted groups. Indeed, we must diversify our approach if we are to reach our intended public. The strategy was reviewed, as well as the communication tools, and all in-house means available, including posters displayed on buses and inside the métro, on the website and on Télécité screens, were used for the powerful *Embarquez-vous?* campaign. The STM also sought the support of organizations dedicated to education and relations with immigrants, such as *CAMO Personnes immigrantes*, *Hirondelle*, the *Centre des femmes de Montréal* and ALPA (orientation and integration services for immigrants) to inform the various cultural communities of the STM's manpower requirements.

## Passing the entrance exams

Upon reviewing candidate applications, human resources staff in charge of recruitment observed that, despite resumé that initially appeared to comply with requirements, some people failed to qualify for a job. They identified a few cultural obstacles, such as not being used to time limits when answering questionnaires. As a result, ALPA developed a programme to reduce the stress levels of candidates and help them prepare for



entrance exams. This preparation has, in turn, resulted in an 80% increase in the success rate of candidates.

## Adapted vocational training

Moreover, thanks to an arrangement with Marguerite-Bourgeoys vocational school, the « General building maintenance » training course was adapted to the STM's needs for a group of 22 ethnic and visible minority candidates preselected by the STM. Members of the group then worked a four-week internship in either the minor maintenance shops, métro stations or bus garages. Those who successfully completed their training and whose job performance evaluation was satisfactory were placed on waiting list for hiring by the STM. As they are already familiar with the company, their integration will only be easier.

## VIRTUAL TOURS FOR YOUNG JOB SEEKERS

As part of its recruitment activities and in collaboration with *Carrefours jeunesse-emploi de l'Île de Montréal* (youth employment centres), the STM is appealing to 16- to 35-year olds seeking a job by promoting an electronic search tool that is increasingly popular among people in that age group. Thanks to the Internet, it is now possible to virtually tour the workplace of STM employees and those of other companies in Montréal.

In the STM's case, 15 job occupations are thus made available to young job seekers, who can find out more about the tasks inherent to each job, as well as the aptitudes and requirements needed to apply. Bus drivers, métro fare collectors, bus garage and métro station cleaning attendants, engineers, information agents and dispatching agents in the métro's Control centre are only a few of the job occupations available for virtual tours.

**WORKFORCE BY DECEMBER 31, 2004**

	2002	2003	2004
<b>Employment category</b>			
Operational supervisors and first-level managers	298	297	304
Foremen	118	128	129
Managers	185	185	194
Professionals and non-union staff	82	83	83
Unionized professionals	194	191	192
Divisional clerks	182	177	170
Security officers	153	152	151
Unionized administrative staff	606	613	598
Drivers, operators and related services workers	3,585	3,588	3,580
Maintenance workers	<u>1,902</u>	<u>1,916</u>	<u>1,918</u>
<b>Total</b>	<b>7,305</b>	<b>7,330</b>	<b>7,319</b>

**Proportion of women**

Women represent **19.5%** of the corporation's workforce.

**Proportion of ethnic and visible minorities**

The corporation's workforce includes **9.4%** ethnic and visible minorities.

**Average age of employees**

**45.6** years

**Average number of years of service**

**15** years

**Recruitment**

Of the **556** persons hired in 2004, some **247** were for permanent positions.

**Retirement eligibility**

**936** employees were eligible for retirement by the end of 2004.

**Unions and associations**

Syndicat des chauffeurs d'autobus, opérateurs de métro et employés des services connexes au transport de la STM (section locale 1983 – SCFP)

Syndicat du transport de Montréal (Employés d'entretien – CSN)

Syndicat du personnel administratif, technique et professionnel du transport en commun, SCFP 2850 – FTQ

Syndicat des travailleuses et travailleurs de la STM – CSN

Fraternité des constables et agents de la paix de la STM

Syndicat des professionnelles et professionnels de la STM

Association des chefs d'opérations – Réseau des autobus

Association des chefs d'opérations – Réseau du métro

Association des contremaîtres

Association des cadres et des professionnels de la STM

# CUSTOMER INFORMATION

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## NEW INFORMATION TOOLS EMBRACED BY TRANSIT USERS

On November 10, 2003, the STM launched its new generation of tools, improving the quality of information provided to customers planning their public transit trips. By means of a single telephone number, STM-INFO, customers can obtain travel directions, general information, contact the Lost and Found and express their comments or complaints. AUTOBUS, the automated information line replacing the older TELBUS system, provides direct access to bus timetables.

A year later, a telephone survey of some 1,000 transit users collected their impressions, assessed their level of usage of the new tools and measured their degree of satisfaction. The STM-INFO telephone system is particularly appreciated for its speedy access to detailed, accurate information. Although some menus are less frequently consulted, they are all perceived as very useful.

Moreover, 89% of surveyed customers expressed their satisfaction with the accuracy of information obtained and the quality of recorded messages. In 2001, only 67% felt that way. Indeed, 99% of transit users calling AUTOBUS today get through on their first try, while only 50% succeeded with the previous system.

## MÉTRO MAINTAINS ITS EXCLUSIVITY

In August 2003, Sun Media Corporation inc. appealed a Superior Court decision regarding the exclusive rights granted by the STM to Publications Métropolitaines Inc., a joint partnership between Médias Transcontinental Inc., Metro International S.A. and Gesca ltée to distribute a free daily newspaper inside the métro. On July 14, 2004, three Québec Court of Appeals judges unanimously rejected Sun Media's motion. The August 8, 2003, decision was therefore upheld, finding once and for all in favour of the STM and Publications Métropolitaines.

Distributed for free inside all Montréal métro stations since March 2001, the *Métro* newspaper has steadily gained in popularity and is read by over 260,500 transit users on a daily basis, a 27% increase over 2003. Each day, the STM publishes its *Info STM* page, an excellent means of informing customers and promoting its services.



## TRANSIT INFORMATION STATISTICS

### Métro newspaper

**250** *Info STM* pages were produced, with an overall satisfaction level of 85%.

### Web Site

**8,445,353** visitors (7,242,964 in 2003)

### AUTOBUS

**10,710,330** calls, an average of **29,683** calls each day.

### STM-INFO


**480,105** calls, of which **123,275** were transferred to AUTOBUS (included in total).

### Planibus

**1,300,000** distributed four times during the year for a total of **5,200,000**.

### Infobus

**4,500** timetables installed four times a year at strategic bus stops for a total of **18,000**.



- INFORMATION TRAJETS • RENSEIGNEMENTS GÉNÉRAUX
- COMMENTAIRES • OBJETS TROUVÉS • ÉVÉNEMENTS

**STM-INFO 786-4636**

- HORAIRES D'AUTOBUS

**AUTOBUS 288-6287**

Site Web : [www.stm.info](http://www.stm.info)

### Media relations

**68** press releases were issued; **11** press conferences were held and over **1,270** interviews were granted.

### Comments and complaints

	2002	2003	2004
	19,579	21,862	17,600

# A CORPORATION INVOLVED IN MONTRÉAL CITY LIFE

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## IN SPORTING EVENTS

### The Canadian Grand Prix and Molson Indy

On the Saturday and Sunday of Grand Prix weekend, the métro registered 295,692 in-coming and out-going trips on the Yellow line. Although much lower than ridership levels recorded in previous years (427,956 in 2003), such a large number of trips in such a short time requires that transportation logistics run like a Swiss watch. Once again, STM employees demonstrated their expertise in meeting demand during these large-scale events. And they managed a successful encore during the Molson Indy event, when 168,564 trips were tallied on the Yellow line that weekend.

### The Montréal Alouettes

Once again this year, the STM continued its partnership with the Montréal Alouettes, by providing a free shuttle service to take football fans to the Percival-Molson stadium. When evening games were played, over 6,500 people took advantage of this service running from Bonaventure, Square-Victoria and McGill métro stations.

### The Défi sportif

Some 2,500 athletes took part in the 21<sup>st</sup> edition of the *Défi sportif*, held April 28 to May 2. The event allows persons with either hearing, visual, physical or intellectual disabilities to participate in sporting competitions. Once again, athletes could count on the STM for their transportation needs, with a shuttle service running between the three competition sites, their lodging accommodations and the airport.

## IN ITS CULTURAL ACTIVITIES

### Montréal Museum Day

From one year to the next, Montréal Museum Day attracts more and more visitors. In 2004, organizers reported 120,000 entries into the various participating institutions, an astounding increase compared to the 95,000 visitors in 2003. The shuttle service offered by the STM is no doubt one of the reasons for this success, as estimates indicate that over half of those visitors used it to travel from one museum to the next.

### A new Museums Pass

A few days prior to the event, the Board of Montréal Museum Directors introduced the new Museums Pass, a package giving access to 30 museums and major attractions in Montréal for three consecutive days. The deal includes an STM Tourist Pass, providing users with unlimited travel by bus and métro, also for three consecutive days. Like other large cities around the world, Montréal and some thirty cultural institutions can now count on a product that promotes both the development of cultural tourism and public transit use.

### Poetry on wheels

For an entire month, from the end of April to the end of May, poetry rode the bus in Montréal. Indeed, the Métropolis bleu Foundation, in collaboration with the Conseil des arts de Montréal and the STM, presented *Poésie en mouvement/Poetry in motion*, a cultural event to mark National Poetry Month. Poems by 20 French- and English-speaking authors, travelled city-wide aboard 800 STM buses.





## Ars Natura

On March 11, *Ars Natura*, a digital and interactive artistic work, was inaugurated in the rotunda of Square-Victoria métro station. Designed and produced by the *Société des arts technologiques et les institutions scientifiques*, this novel installation made the most of the magic in art and technology to offer passers-by a preview of Montréal's Biodôme, Insectarium, Botanical Gardens and Planetarium. Through sophisticated projection equipment, superb images of these four attractions were displayed against an immense circular panoramic screen. Below, an interactive terminal presented additional pictures and information. A soundtrack provided a background of nature sounds, including bird songs and animal calls, and fired the imagination, beckoning people to visit the featured locations. The STM sponsored the installation by generously offering the space inside Square-Victoria station, through which over 15,000 people pass each day.

## Accessible cultural tours

For many disabled persons, social integration is achieved through taking an active part in cultural activities. For the past 25 years, Kéroul has been working closely with different public and private sector groups and institutions to increase accessibility to tourist and cultural institutions, as well as to improve the quality of facilities available for disabled visitors.

On September 25 and 26, five cultural organizations opened their doors and welcomed participants with functional disabilities by taking them behind the scenes. A number of artists, artisans and staff members of the *Atelier lyrique de l'Opéra de Montréal*, the Montréal Symphony Orchestra, TOHU – the Cité des arts du cirque –, the Théâtre du Nouveau Monde and Place des Arts delighted in sharing their passion for their work. These two days of cultural activities, accessible to persons with limited physical abilities, were made possible in part thanks to the STM, who

put several adapted vehicles at Kéroul's disposal, providing free transportation for these cultural tours.

## WITH CULTURAL COMMUNITIES

### Public consultation on ethnic diversity

On November 25, the Customer Service Committee hosted a public consultation on ethnic diversity. The purpose of the meeting was to provide senior management with customer feedback in this area. The 26 cultural communities in Montréal are currently represented by some 10% of the STM's workforce; the corporation's goal is to raise that proportion to 25%. Different measures were proposed to encourage cultural community members to seek out employment with the STM, such as holding a draw for bursaries to help finance driving courses for new bus drivers and recruitment drives among various cultural community groups, offering student internships, and taking an active part in many job career fairs.

The tasks performed by transit security officers were also reviewed, as well as the various partnerships established with cultural communities, schools and other Montréal organizations. Although the meeting focused primarily on ethnic diversity in the STM workforce, other subjects were broached, including the cleanliness of métro stations and employee courtesy. Brenda Paris, representing public transit users on the STM Board of Directors and president of the sub-committee on ethnic diversity, promised to review all comments received, while Pierre Vandelac, STM Director General, indicated that employee courtesy was on the transit corporation's list of priorities for 2005.

## WITH HUMANITARIAN CAUSES

### The generosity of active and retired employees...

For a ninth consecutive year, active and retired STM employees showed their overwhelming generosity during the corporation's annual fund-raising drive held November 1-30. Indeed, while the campaign's goal had been set at \$425,000, in the end, the four beneficiary organizations received some \$453,899.13. That sum was distributed as follows: \$96,777.17 to Centraide for the Greater Montréal area; \$77,257.90 to the Québec chapter of the Canadian Red Cross; \$66,934.87 to Partenairesanté-Québec, and \$212,929.19 to the STM Réchaud Bus.



### ... and of transit users

STM clients were also quite generous during the employees' annual fund raiser, *Les bonnes œuvres des employés*, now in its seventh year, held November 25, 26 and 27. For the occasion, some one hundred employees volunteered to collect money donations inside several métro stations to help out families in need.

This year, the public was as generous as ever, giving \$60,804.18, to which was added another \$9,944 collected from employees. The campaign netted a

total of \$70,248.18, which was used to purchase food to prepare Christmas baskets that were later distributed to 600 underprivileged families in various Montréal neighborhoods.

### Saluting staff and clients

On June 29, as part of the corporation's recognition programme, the Director General, Pierre Vandelac, honoured several employees for deserving actions. Indeed, seven received a Certificate of Recognition for their civic-mindedness or bravery: Security officers Guylaine Lapointe and Véronique Mageren, who saved a woman about to commit suicide,

Although Mr. Berlinguet is not an STM employee, the Director felt his actions were worthy of public recognition.

### IN THE CITY'S CELEBRATIONS

#### *La Fête des Neiges*

As the official carrier for *La Fête des neiges*, the STM again provided a free shuttle service, with both regular buses and adapted vehicles, between the Île Notre-Dame parking facilities and the winter festival site. Nearly 200,000 people visited the Parc Jean-Drapeau site during the three weekends of festivities.

#### *La Fête des enfants de Montréal*

During *La Fête des enfants de Montréal*, held August 14 and 15, hundreds of families took

again enchanted the little ones. Organizers estimated that some 255,000 people took part in the sixth edition of the children's festival.

#### *En ville, sans ma voiture*

On September 22, as part of World Car Free Day, the STM joined the Agence métropolitaine de transport (AMT) to celebrate *En ville, sans ma voiture*. For the occasion, the STM introduced its new promotional slogan, *Le transport en commun... naturellement*. A decorated bus was parked on Sainte-Catherine Street and served as an information booth for the STM cheering squad. Once again, **Urbain** was out and about, giving colouring books and stickers to the hundreds of children taking part in the day's activities. To promote the new slogan, a contest draw was also held, with one person winning a year's supply of monthly CAM passes worth over \$700, while nine others picked up a CAM pass valid for October, worth \$59 each.



bus driver Sonny Thériault, who rushed to aid a young boy seriously injured in an accident, bus driver Michel Legault, whose alertness enabled a young autistic runaway to be reunited with his family, bus driver Sergio De Cubellis, who stayed by the side of a lost and confused old woman, inadequately dressed for the cold weather, bus driver Manon Rouleau, who convinced a woman who appeared to be ill to go to the hospital where she later underwent emergency surgery, and Paratransit driver Jean Tellier, who came to the rescue of victims in a three-car collision.

Mr. Vandelac also took the opportunity to award a Certificate of merit and altruism to a public transit user, Simon Berlinguet, who saved a man in cardiovascular distress by giving him first aid until the arrival of ambulance attendants.

advantage of the STM's special pass and travelled free of charge to Parc Maisonneuve. A free shuttle service running between the métro station and the site of the festivities was also available. STM representatives in attendance handed out colouring books and crayons, stickers and paper buses, while **Urbain**, the STM mascot, once



# WINNING ACHIEVEMENTS

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## EQUAL ACCESS TO EMPLOYMENT PROGRAMME REWARDED

On June 14, the Minister of Citizen Relations and Immigration, Michelle Courchesne, presented citizenship awards to the winners of the sixth annual *Prix québécois de la citoyenneté*, honouring individuals and organizations, as well as public and private corporations, for their exceptional contribution to supporting democratic life and civic involvement in Québec. During the ceremony, the STM received the Maurice-Pollack Award in the area of equal access to employment, diversity management and adaptation of services in the "Public and private profit-making corporation" category.

The STM has had an equal access to employment programme since 1987, aimed at hiring more women and visible and ethnic minorities as bus drivers, cleaners and security officers. In 2001, legislation was passed making such provisions mandatory for all Québec-based companies.

## THE STM SHINES AT THE COMPÉTENCES SANS FRONTIÈRES GALA

As part of the *Compétences sans frontières* competition, aiming at highlighting the contribution of organizations supporting the integration of immigrants, the CDEC Ahuntsic/Cartierville honoured the STM during a gala event held on November 25. Two of the corporation's projects appealed to the selection committee: the career-coaching programme for immigrant women in the STM's public call for bus driver candidates, and the customized training programme for immigrants leading to a job as a cleaner.

## SPOTLIGHT ON THE STM AT CUTA'S ANNUAL MEETING

The STM was in the spotlight at the Canadian Urban Transit Association's annual meeting, held June 12-16 in St. John's (Newfoundland). Indeed, Robert Olivier, Executive Director – Planning and Operations Support, was elected Executive Committee Chairman. As a member of CUTA since 1977 and a strong advocate for the interests of public transit corporations at the different levels

of government, Mr. Olivier will lead CUTA over the next year, and his mandate could be carried over. In that role, he will be representing both the transit association and industry at the national level.

During that meeting, the STM also received a CUTA Recognition Award in the "Exceptional Performance or Outstanding Achievement" category for its programme aimed at enhancing and showcasing the artwork featured inside the Montréal métro. Jury members were impressed by the quality of the promotional objects presented by the STM, particularly the gift box entitled *L'Art du métro*, containing fourteen cards, each one highlighting one of the métro's distinguishing artworks, as well as the corporate brochure, *The Montréal métro, a source of pride*. Incidentally, an entire section of the corporation's website is now dedicated exclusively to the artworks in the métro, rightly considered to be one of the most important underground art galleries in the world.





### THREE EMPLOYEE EXCELLENCE AWARDS

As part of the Fall Conference held in November, three STM employees received CUTA's Excellence Award for acts of heroism on duty: bus driver Daniel Richer and métro security officers Guylaine Lapointe and Véronique Mageren.



Employee Excellence Awards are presented upon the recommendation of individual employers in recognition of a major contribution or an outstanding achievement in the following areas: acts of heroism on duty, significant accomplishments on special projects, and outstanding volunteerism on behalf of the local transit system.

### A STAMP COMMEMORATING THE MÉTRO

On March 30, 2004, Canada Post issued a set of four new stamps commemorating Canadian urban transit and light rail trains to mark the 50<sup>th</sup> anniversary of Canada's first subway system, inaugurated in Toronto on March 30, 1954.

The stamps accurately reproduce the trains, station names and transit corporation logos for the Toronto, Montréal, Calgary and Vancouver systems.

Each of the four stamps features three trains, one moving to the left, one moving to the right, and one showing people about

to board. The designers visited the track shops of each public transit company, where they took side view pictures of the trains, under similar lighting conditions. The impression of movement was digitally produced and when duplicate stamps are placed side by side, the full pane of 16 stamps on four rows offers a visually stunning impression of rapid movement.

This stamp is the first dedicated exclusively to the Montréal métro, but it is not the first to illustrate this theme. In fact, one of the two stamps issued in 1992



to mark the 350th anniversary of the City of Montréal already depicted métro trains running under the city.

# FINANCIAL STATEMENTS

At December 31, 2004



## AUDITORS' REPORT

### TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE SOCIÉTÉ DE TRANSPORT DE MONTRÉAL

**W**e have audited the balance sheet of the Société de transport de Montréal as at December 31, 2004, and the statements of financial activities, investment activities, accumulated deficit, reserved funds, net investment in long-term assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Société's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Société as at December 31, 2004 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted principles in municipal accounting in Québec.



AUDITOR GENERAL OF THE CITY OF MONTRÉAL  
**Michel Doyon, CA**

Montréal  
March 17, 2005



**Raymond Chabot Grant Thornton LLP**  
Chartered Accountants

Montréal  
March 17, 2005

## STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

	NOTE	BUDGET	2004	2003
<b>Revenue</b>				
Passengers	4	371,320	368,176	334,771
Contribution from the City of Montréal		263,000	263,000	263,000
Subsidies from the Government of Québec	5	79,379	69,570	70,766
Regional contributions	6	58,954	61,148	64,424
Contribution from the Government of Québec - Revision of financial framework		20,363	—	—
Contribution from the Réseau de transport de Longueuil	7	1,803	1,803	1,803
Other revenue	8	16,515	17,302	16,858
		<b>811,334</b>	<b>780,999</b>	<b>751,622</b>
Revenue from third parties relating to investment activities	11	54,033	60,752	3,472
Revenue from sinking fund investments		5,161	5,949	6,468
		<b>870,528</b>	<b>847,700</b>	<b>761,562</b>
<b>Expenditures</b>				
Bus and métro service		651,193	641,194	618,180
Paratransit service		30,708	32,058	29,836
Interest and financing costs	9	46,994	36,093	35,658
Unforeseen expenditures		5,204	—	36
Asset maintenance		13,750	9,639	9,966
		<b>747,849</b>	<b>718,984</b>	<b>693,676</b>
<b>Other financial activities</b>				
Repayment of long-term debt	10	70,402	66,710	55,574
Transfer to statement of investment activities	11	56,009	70,586	7,943
		<b>126,411</b>	<b>137,296</b>	<b>63,517</b>
		<b>874,260</b>	<b>856,280</b>	<b>757,193</b>
<b>Surplus (deficit) from financial activities before appropriations</b>		<b>(3,732)</b>	<b>(8,580)</b>	<b>4,369</b>
<b>Appropriations</b>				
Accumulated surplus from previous year carried forward to the current year		—	<b>3,138</b>	<b>12,815</b>
Reserved funds				
Contribution to sinking fund and working capital fund		(47,406)	(52,092)	(59,211)
Use of sinking fund		51,138	51,223	42,330
		<b>3,732</b>	<b>(869)</b>	<b>(16,881)</b>
<b>Surplus (deficit) for year</b>		<b>—</b>	<b>(6,311)</b>	<b>303</b>

Commitments (note 23)

Contingencies (note 25)



## STATEMENT OF INVESTMENT ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

	NOTE	BUDGET	2004	2003
<b>Sources of financing</b>				
Long-term debt issued		250,000	189,195	75,000
Transfer from financial activities	11	56,009	70,586	7,943
working capital fund		—	2,630	—
		<u>306,009</u>	<u>262,411</u>	<u>82,943</u>
<b>Investment expenditures</b>				
Buildings		9,599	2,687	438
Original network and métro extensions		3,547	14,123	44
Improvements to métro infrastructure		37,531	12,002	9,515
Improvement to local infrastructure		5,556	—	—
Rolling stock - buses		36,771	55,762	63,685
Rolling stock - minibuses		1,956	561	1,312
Rolling stock - other		2,473	8,362	1,470
Office equipment and computer software		12,644	11,105	7,387
Machinery, tools and equipment		6,209	10,986	808
Capital assets in progress		234,966	70,653	35,967
Investment in a limited partnership		—	999	—
		<u>351,252</u>	<sup>(b)</sup> <u>187,240</u>	<u>120,626</u>
<b>Over-financing (under-financing) for year <sup>(a)</sup></b>		<u>(45,243)</u>	<u>75,171</u>	<u>(37,683)</u>

<sup>(a)</sup> The over-financing (under-financing) for the year is carried over to the statement of reserved funds.

<sup>(b)</sup> The Société was committed to various suppliers in the amount of \$393.4 million at December 31, 2004.

**BALANCE SHEET****AT DECEMBER 31, 2004**

(in thousands of dollars)

	<b>NOTE</b>	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		8,611	4,912
Restricted investments in the sinking fund	12	39,991	39,206
Contribution receivable from the City of Montréal		—	8,000
Subsidies receivable	13	23,482	14,016
Regional contributions receivable		28,538	29,765
Contribution receivable from the Réseau de transport de Longueuil		902	901
Other receivables	14	38,477	39,523
Inventories of supplies and replacement parts		20,998	15,300
Current portion of long-term debt	18	15,704	45,233
		<b>176,703</b>	<b>196,856</b>
<b>Capital assets</b>	15	<b>1,103,218</b>	<b>997,597</b>
<b>Deferred charges</b>	16	<b>3,597</b>	<b>4,796</b>
<b>Restricted investments in the sinking fund</b>	12	<b>100,524</b>	<b>99,352</b>
<b>Long-term investments</b>	17	<b>1,951</b>	<b>486</b>
<b>Long-term debts</b>	18	<b>254,204</b>	<b>167,175</b>
		<b><u>1,640,197</u></b>	<b><u>1,466,262</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term loans	19	34,850	111,837
Accounts payable and accrued liabilities	20	125,365	107,313
Current portion of long-term debt	21	75,732	134,515
		<b>235,947</b>	<b>353,665</b>
<b>Long-term debt</b>	21	<b>601,092</b>	<b>419,824</b>
<b>Deferred subsidies</b>	15	<b>392,323</b>	<b>262,550</b>
		<b><u>1,229,362</u></b>	<b><u>1,036,039</u></b>
<b>Equity</b>			
Provision for future amounts	22	(19,393)	(21,347)
Accumulated surplus (deficit)		(6,311)	303
Reserved funds		131,561	58,151
Net investment in long-term assets		304,978	393,116
		<b>410,835</b>	<b>430,223</b>
		<b><u>1,640,197</u></b>	<b><u>1,466,262</u></b>

## STATEMENT OF ACCUMULATED DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

	NOTE	2004	2003
<b>Surplus at start of year</b>		<b>303</b>	<b>12,815</b>
Adjustment to previous fiscal year	2	2,835	—
		<b>3,138</b>	<b>12,815</b>
Appropriation to financial activities		(3,138)	(12,815)
Surplus (deficit) for year		(6,311)	303
<b>Surplus (deficit) at end of year</b>		<b>(6,311)</b>	<b>303</b>

## STATEMENT OF RESERVED FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

### 2004

	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Transfer to/from investment activities	Balance at end of year
Sinking fund	141,850	<sup>(a)</sup> 49,888	(51,223)	—	140,515
working capital fund	2,446	2,204	—	(2,630)	2,020
Financing of projects in progress	(86,318)	—	—	75,171	(11,147)
Balances on hand from closed loan by-laws	173	—	—	<sup>(b)</sup> —	173
	<b>58,151</b>	<b>52,092</b>	<b>(51,223)</b>	<b>72,541</b>	<b>131,561</b>

### 2003

	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Transfer to/from investment activities	Balance at end of year
Sinking fund	127,322	<sup>(a)</sup> 56,858	(42,330)	—	141,850
working capital fund	93	2,353	—	—	2,446
Financing of projects in progress	(48,774)	—	—	(37,544)	(86,318)
Balances on hand from closed loan by-laws	312	—	—	<sup>(b)</sup> (139)	173
	<b>78,953</b>	<b>59,211</b>	<b>(42,330)</b>	<b>(37,683)</b>	<b>58,151</b>

	2004	2003
<sup>(a)</sup> Contribution to sinking fund	39,991	50,390
Contribution to sinking fund (cancellation of refinancing in 2005)	3,948	—
Revenue from sinking fund investments	5,949	6,468
	<b>49,888</b>	<b>56,858</b>
	2004	2003
<sup>(b)</sup> Balances on hand following closure of loan by-laws	—	81
Use of balances on hand for financing purposes	—	(220)
	<b>—</b>	<b>(139)</b>



## STATEMENT OF NET INVESTMENT IN LONG-TERM ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

	2004	2003
<b>Balance at start of year</b>	<b>393,116</b>	<b>404,310</b>
<b>Plus</b>		
Acquisition of capital assets	186,241	120,626
Issuance of long-term debt	97,794	37,367
Repayment of long-term debt	66,710	55,574
Amortization of deferred subsidies	21,943	14,459
Purchase of investment in a limited partnership	999	—
	<b>373,687</b>	<b>228,026</b>
<b>Less</b>		
Capital asset depreciation	79,034	74,521
Disposal of capital assets	1,586	—
Reduction in long-term debt	40,294	39,971
Issuance of long-term debt investment activities	189,195	75,000
Deferred subsidies	151,716	49,728
	<b>461,825</b>	<b>239,220</b>
<b>Balance at end of year</b>	<b>304,978</b>	<b>393,116</b>

## STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of dollars)

	2004	2003
<b>Operating activities</b>		
Surplus (deficit) for year	(6,311)	303
Transactions not affecting cash		
Carry forward of surplus from previous year	(3,138)	(12,815)
Share of profit (loss) from limited partnership	(967)	19
Amortization of deferred charges	1,199	1,199
Transfer to working capital fund	2,204	2,353
	<u>(7,013)</u>	<u>(8,941)</u>
Transactions not affecting operations		
Transfer to the statement of investment activities	9,834	4,471
Repayment of long-term debt	15,487	13,244
Contribution to the sinking fund	43,939	50,390
	<u>62,247</u>	<u>59,164</u>
Net change in non-cash components		
Subsidies and contributions receivable	(240)	(20,376)
Other receivables	1,046	(10,228)
Inventories of supplies and replacement parts	(2,863)	(2,051)
Accounts payable and accrued liabilities	18,052	11,946
Provision for future amounts	1,954	2,662
Cash flow from operating activities	<u><b>80,196</b></u>	<u><b>41,117</b></u>
<b>Investment activities</b>		
Acquisition of restricted investments	(1,172)	(4,938)
Acquisition of long-term investments	(498)	(505)
Acquisition of capital assets	(186,241)	(120,626)
Cash flow used for investment activities	<u><b>(187,911)</b></u>	<u><b>(126,069)</b></u>
<b>Financing activities</b>		
Issuance of long-term debt	189,195	75,000
Repayment of long-term debt	(66,710)	(55,574)
Capital asset expenditures financed by a third party	60,752	3,472
Revenue from sinking fund investments	5,949	6,468
Cash flow from financing activities	<u><b>189,186</b></u>	<u><b>29,366</b></u>
<b>Increase (decrease) in cash flow</b>	<b>81,471</b>	<b>(55,586)</b>
<b>Cash position, start of year</b>	<b>(67,719)</b>	<b>(12,133)</b>
<b>Cash position, end of year</b>	<u><b>13,752</b></u>	<u><b>(67,719)</b></u>

Cash consists of cash on hand, restricted investments and short-term loans.

## NOTES TO FINANCIAL STATEMENTS

**At DECEMBER 31, 2004**

### 1. GOVERNING STATUTES AND NATURE OF ACTIVITIES

The Société de transport de Montréal (hereinafter the Société) is incorporated under the *Loi sur les sociétés de transport en commun* (L. R. Q. chapter S-30.01) and is responsible for organizing and providing public transit, principally on the territory of the island of Montréal.

### 2. CHANGE IN ACCOUNTING POLICY

As of January 1, 2004, the Société lists internally manufactured parts as replacement parts and records them as expenditures as and when they are used.

Previously, all internally manufactured parts were recorded as expenses, regardless of whether or not they were used. This change in accounting policy was posted as a cumulative adjustment to the surplus in an amount of \$2.8 million. As a result, the data for the preceding year were not restated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Accounting principles

The financial statements are prepared in accordance with generally accepted municipal accounting principles in Québec as contained in the *Manuel de présentation de l'information financière municipale au Québec* published by the Ministère des Affaires municipales, du Sport et du Loisir.

#### Combined financial statements

The financial statements of the Société are produced on a combined basis so as to represent all its activities and transactions irrespective of its accounting structure.

#### Accounting projections

In order to prepare its financial statements in accordance with the generally accepted municipal accounting principles in Québec, the management of the Société must make projections and pose hypotheses that have an effect on the amounts presented in the financial statements and their accompanying notes. These projections are based on management's knowledge of the events in progress and on measures that the Société could take in the future. The actual results could differ from these projections.

#### Budget data

The budget data relating to the financial activities reflect the 2004 budget adopted by the Board of Directors of the Société in November 2003 and by the municipal council of the City of Montréal in December 2003. The budget data relating to the investment activities is derived from the 2004-2005-2006 capital expenditures program, also adopted by the Board of Directors of the Société in November 2003 and by the municipal council of the City of Montréal in December 2003.

#### Revenue and expenditures

The Société uses the accrual method of accounting under which revenue and expenditures are accounted for in the year in which events or transactions occur. Expenditures related to the employee pension plan, however, are recorded on a cash basis. Pension agreements over and above the employee pension plan obligations are not capitalized. A provision, calculated with the help of actuaries, is recorded to cover the value of accumulated services.

The expenditures presented in the statement of financial activities are itemized as follows:

«Bus and métro service» includes all activities relating to the operation and maintenance of the bus and métro networks as well as the support for these activities. The principal operations support functions are: finance and procurement, information technology, asset management, management of commercial activities, human resources, communications and public affairs, network planning and development, marketing and customer relations, general management, auditing, secretariat and legal affairs and management of major projects.

«Paratransit service» groups together all the activities required for the planning and provision of transportation for the disabled by minibus or taxi.

«Interest and financing costs» include short-term and long-term interest, but exclude short-term financing costs, which are allocated to the loan by-laws.

«Unforeseen expenditures» reflect expenditures that are not likely to be repeated frequently in future years, that are not typical of normal company activities and that do not result from management decisions or judgements.

«Asset maintenance» covers the costs of the periodic major maintenance program aimed at keeping the Société's infrastructure in good working order.

### **Inventories of supplies and replacement parts**

The inventories of supplies and replacement parts are valued at the lesser of average cost or replacement cost.

### **Long-term investments**

Long-term investments are recorded on an equity basis.

### **Reserved funds**

#### **Sinking fund**

This fund is used to accumulate amounts to repay certain long-term debts.

#### **working capital fund**

The working capital fund, with a set limit of \$7.0 million, is used for the acquisition of capital assets. The sums used must be repaid over a maximum period of five years.

### **Capital assets**

Capital assets are recorded at cost and are depreciated over their useful life using the straight-line method over the following periods:

Land	40 years
Buildings	40 years
Original network and métro extensions	40 and 100 years
Improvements to métro infrastructure	25, 40 and 100 years
Local infrastructure	20 and 40 years
Regional infrastructure	20 and 40 years
Rolling stock – buses	16 years
Rolling stock – minibuses	5 years
Rolling stock – other	5 and 10 years
Leasehold improvements	Length of lease
Office equipment and computer software	5 and 10 years
Machinery, tools and equipment	15 years

The depreciation expense is not recorded in the statement of financial activities. This expense is shown on the statement of net investment in long-term assets.

Deferred subsidies are amortized on the same basis as their related capital assets. The capital assets are depreciated as soon as they are put in service, irrespective of the loan by-law's closing date, as long as they are financed by long-term debt or by means of a cash subsidy.

### **Depreciation of long-term assets**

As of January 1, 2004, the Société adopted the CICA's new recommendations regarding the depreciation of long-term assets. This standard states that a long-term asset must be submitted to a test of recoverability when events or changes in situation indicate that its carrying value might not be recoverable.

In accordance with this standard, the Société will proceed with a recoverability test of its long-term assets using the expected undiscounted future cash flows method. If it is deemed that the carrying value of the long-term asset is not recoverable, a write-down corresponding to the excess of the carrying value over the fair value will be recorded with a corresponding expenditure in the statement of financial activities.



### Charging of the provision for future amounts to financial activities

The provision for a future amount for sick leaves and vacation days accrued prior to January 1, 2000, is charged to the statement of financial activities according to the higher of the straight-line depreciation of the balance over a period of 20 years or the annual disbursements.

## 4. PASSENGER REVENUE

(in thousands of dollars)

	BUDGET	2004	2003
Bus and métro service	344,436	340,268	308,403
Paratransit service	1,528	1,380	1,352
Regional revenue <sup>(a)</sup>	25,356	26,528	25,016
	<u>371,320</u>	<u>368,176</u>	<u>334,771</u>

<sup>(a)</sup> The regional revenue attributable to the Société results from the sharing of revenue from the sale of city transportation fares.

## 5. Subsidies from the government of Québec

(in thousands of dollars)

	BUDGET	2004	2003
Capital assets <sup>(a)</sup>	54,758	45,689	48,337
Paratransit service <sup>(b)</sup>	24,621	23,803	22,429
Other	—	78	—
	<u>79,379</u>	<u>69,570</u>	<u>70,766</u>

<sup>(a)</sup> Public transit assistance program:

In accordance with the Government of Québec's public transit assistance program and special agreements, the Société is eligible for subsidies at rates ranging from 50% to 75% for admissible expenses incurred during fiscal year 2004. Admissible expenses include bus purchases, construction of buildings, métro station renovations, métro car renovations and other specific expenses.

These subsidies are paid in the form of a contribution to debt servicing or as a cash payment in accordance with the terms of the assistance program and special agreements.

<sup>(b)</sup> Adapted transit assistance program:

In accordance with powers conferred on the Transport Minister by order-in-council 1106 2002, the Société is eligible for a subsidy of up to a maximum of 75% of the costs deemed admissible by the Ministère des Transports.

## 6. REGIONAL CONTRIBUTIONS

(in thousands of dollars)

	BUDGET	2004	2003
For trips on the métro system <sup>(a)</sup>	43,950	43,480	46,842
For trips on city bus lines <sup>(a)</sup>	6,394	6,226	6,976
For equipment and infrastructure <sup>(b)</sup>	1,322	1,414	1,446
Share of surplus from the Agence métropolitaine de transport <sup>(c)</sup>	—	2,405	—
	51,666	53,525	55,264
Debt financing - commuter trains <sup>(d)</sup>	7,288	7,623	9,160
	<b>58,954</b>	<b>61,148</b>	<b>64,424</b>

<sup>(a)</sup> Buses and métro:

The Société receives aid from the Agence métropolitaine for trips taken by métro or bus on the city transportation system.

<sup>(b)</sup> Regional equipment and infrastructure:

The Agence must acquire from the Société the equipment and infrastructure necessary for the city bus transportation system. At December 31, 2004, the contract stipulating the date and terms for the transfer of these assets had not been signed. Despite the eventual transfer of this property, the Société remains responsible for the debt servicing related to its financing. However, the Agence reimburses the Société for the operating costs and debt servicing costs, net of any government subsidy.

<sup>(c)</sup> Share of surplus from the Agence métropolitaine de transport:

The surplus from the Agence was distributed on a prorata basis for each of the transport organizing authorities (AOTs) from the amounts for city bus and métro aid as well as from the aid granted for reduced fares in 2004.

<sup>(d)</sup> Commuter trains:

As of January 1, 1996, the Agence assumed the rights and obligations of the Société with regard to the commuter train system.

The track-based rolling stock and all other assets related to the operation of the commuter train system are the property of the Agence. However, the Société retains the long-term debt associated with this property. The Agence reimburses the Société for the principal and interest and, in the event of default, is guaranteed repayment of the debt servicing related to the commuter trains.

## 7. CONTRIBUTION FROM THE RÉSEAU DE TRANSPORT DE LONGUEUIL

On March 24, 2004, the Government of Québec adopted order-in-council 285-2004 dealing with the establishment of conditions of operation for the métro line linking the territories of the Société de transport de Montréal and the Réseau de transport de Longueuil. The contribution from the Réseau de transport de Longueuil was set at \$1.8 million for fiscal year 2004.

## 8. OTHER REVENUE

(in thousands of dollars)

	BUDGET	2004	2003
Advertising	9,885	9,916	8,971
Rentals	3,283	1,795	3,493
Incidental activities <sup>(a)</sup>	—	469	112
Share of profit (loss) from the limited partnership	—	967	(19)
Other	3,347	4,155	4,301
	<u>16,515</u>	<u>17,302</u>	<u>16,858</u>

(in thousands of dollars)

	BUDGET	2004	2003
<sup>(a)</sup> Incidental activities			
Métro extension			
Revenue	—	11,289	5,911
Expenditures	—	(11,109)	(5,911)
	<u>—</u>	<u>180</u>	<u>—</u>
Other projects			
Revenue	—	1,356	1,066
Expenditures	—	(1,067)	(954)
	<u>—</u>	<u>289</u>	<u>112</u>
Surplus	<u>—</u>	<u>469</u>	<u>112</u>

## 9. INTEREST AND FINANCING COSTS

(in thousands of dollars)

	BUDGET	2004	2003
Interest on long-term debt	45,694	35,690	34,680
Financing costs			
short-term	2,339	2,006	2,364
allocated to loan by-laws	(1,039)	(1,603)	(1,386)
	<u>1,300</u>	<u>403</u>	<u>978</u>
	<u>46,994</u>	<u>36,093</u>	<u>35,658</u>

## 10. REPAYMENT OF THE LONG-TERM DEBT

(in thousands of dollars)

	BUDGET	2004	2003
Repayment of principal			
from financial activities	19,264	15,487	13,244
from sinking fund	51,138	51,223	42,330
	<u>70,402</u>	<u>66,710</u>	<u>55,574</u>

## 11. TRANSFER TO THE STATEMENT OF INVESTMENT ACTIVITIES

(in thousands of dollars)

	BUDGET	2004	2003
Capital asset expenditures financed by a third party			
Asset maintenance program for fixed equipment in the métro <sup>(a)</sup>	53,943	59,352	—
Replacement of an operating system	90	1,017	3,378
Disposal of a bus	—	342	50
Transfer of métro assets in accordance with legal requirements	—	41	44
	<u>54,033</u>	<u>60,752</u>	<u>3,472</u>
Capital asset expenditures financed from revenue			
Bus and métro service	250	8,886	3,078
Paratransit service	1,476	99	1,312
Asset maintenance	250	849	81
	<u>1,976</u>	<u>9,834</u>	<u>4,471</u>
	<u>56,009</u>	<u>70,586</u>	<u>7,943</u>

<sup>(a)</sup> In accordance with order-in-council 737-2002 and agreement no. 527001 of July 16, 2004, covering the financial aid for the first phase of the asset maintenance program for fixed equipment in the métro, the federal government made a cash contribution of 33.3% of the admissible expenses under the 2000 Canada-Québec Infrastructure Program while the Agence métropolitaine de transport made a cash contribution of 12.5%. The contribution from the Government of Québec was set at 41.67% and was paid in the form of a subsidy for debt servicing.

## 12. RESTRICTED INVESTMENTS IN SINKING FUND

(in thousands of dollars)

	2004	2003
Cash	929	29,792
Bonds and bond coupons, at unamortized cost (market value \$140,438, \$109,967 in 2003)	138,004	107,404
Interest receivable	1,582	1,362
	<u>140,515</u>	<u>138,558</u>
Short-term portion	(39,991)	(39,206)
	<u>100,524</u>	<u>99,352</u>

## 13. SUBSIDIES RECEIVABLE

(in thousands of dollars)

	2004	2003
Government of Québec		
Capital assets	3,000	4,482
Paratransit	6,642	6,070
Other	1,153	2,432
	<u>10,795</u>	<u>12,984</u>
Government of Canada		
Capital assets	9,500	1,032
Agence métropolitaine de transport		
Capital assets	3,187	—
	<u>23,482</u>	<u>14,016</u>



## 14. OTHER RECEIVABLES

(in thousands of dollars)

	2004	2003
Regional revenue receivable	12,003	11,013
Work accident payments recoverable	729	613
Tax claims submitted to governments	3,911	1,135
General accounts receivable	14,052	12,847
Deposit on bus purchase	4,892	10,043
Other	2,890	3,872
	<u>38,477</u>	<u>39,523</u>

## 15. CAPITAL ASSETS

(in thousands of dollars)

	2004			2003
	Cost	Depreciation	Net book value	Net book value
Land	7,352	6,021	1,331	1,402
Buildings	146,783	66,239	80,544	81,006
Original network and métro extensions	1,450,752	1,198,427	252,325	255,122
Improvements to métro infrastructure	212,857	49,388	163,469	157,770
Local infrastructure	11,702	2,668	9,034	9,365
Regional infrastructure	11,499	6,715	4,784	5,380
Rolling stock - buses	582,574	253,721	328,853	309,063
Rolling stock - minibuses	8,304	6,720	1,584	2,593
Rolling stock - other	38,159	23,394	14,765	9,313
Leasehold improvements	7,170	5,480	1,690	2,173
Office equipment and software	77,052	43,260	33,792	29,975
Machinery, tools and equipment	69,793	34,417	35,376	29,417
Capital assets in progress	175,671	—	175,671	105,018
	<u>2,799,668</u>	<u>1,696,450</u>	<u>1,103,218</u>	<u>997,597</u>

	2004			2003
	Opening balance	Change	Closing balance	Closing balance
Deferred subsidies	<u>262,550</u>	<u>129,773</u>	<u>392,323</u>	<u>262,550</u>

## 16. DEFERRED CHARGES

(in thousands of dollars)

	2004	2003
Computer software licences	<u>3,597</u>	<u>4,796</u>

Computer software licences are charged to financial activities as and when they are allocated to users, over a maximum period of five years from 2003 to 2007.

**17. LONG-TERM INVESTMENTS**

(in thousands of dollars)

	2004	2003
Holding in limited partnership, at equity value	1,946	481
Other	5	5
	<u>1,951</u>	<u>486</u>

**18. LONG-TERM DEBT**

(in thousands of dollars)

	2004	2003
Amount recoverable for the repayment of the long-term debt (note 21)		
Government of Québec	256,590	193,548
Agence métropolitaine de transport	13,318	18,860
	<u>269,908</u>	<u>212,408</u>
Current portion of long-term debt	(15,704)	(45,233)
	<u>254,204</u>	<u>167,175</u>

**19. SHORT-TERM LOANS**

The Société has a loan authorization to a limit of \$200 million for its current operating expenses and for expenditures incurred in accordance with a loan by-law. This sum can be borrowed, in whole or in part, through notes, bankers acceptances or other instruments that can be negotiated with the chartered banks or on the open short-term loan market, at a rate not to exceed the prime rate of the chartered banks. The repayment term for each of the notes, bankers acceptances or other instruments must not exceed one year from the date of their issuance. At December 31, 2004, the average rate on the short-term loans was 2.56%.

The Société also has an available line of credit of \$40 million in the form of demand notes, which is included in the short-term loan authorization of \$200 million. The interest rate on this line of credit is the banking institution's base rate calculated on a daily basis and payable on the last day of each month. The average rate for fiscal year 2004 was 4.50%.

**20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands of dollars)

	2004	2003
Suppliers and accrued liabilities	34,501	23,105
Wages and wage benefits	33,530	30,133
Sick leaves payable	7,626	8,349
Vacations payable	24,270	23,306
Holdbacks on contracts and security deposits	1,205	1,137
Accrued interest	8,359	7,716
Other	15,874	13,567
	<u>125,365</u>	<u>107,313</u>

## 21. LONG-TERM DEBT

(in thousands of dollars)

	2004	2003
Bonds and bank loans, at interest rates varying from 2.40% to 9.10% (3.55% to 9.60% in 2003) due from February 2005 to October 2014	676,824	554,339
Current portion of long-term debt	(75,732)	(134,515)
	<u>601,092</u>	<u>419,824</u>

The long-term debt consists of bonds and bank loans that are a direct and general obligation of the City of Montréal. The City of Montréal stands as an unrestricted guarantor of the long-term debt contracted by the Société.

The estimated payments on the long-term debt for future years are as follows:

2005	75,732
2006	108,671
2007	78,000
2008	42,068
2009	80,255
2010 and subsequent years	292,098
Total minimum payments due	<u>676,824</u>

The apportionment of the long-term debt is as follows:

(in thousands of dollars)

	2004	2003
Amounts accumulated in the sinking fund	140,515	141,850
Amounts recoverable for the repayment of the long-term debt		
From the City of Montréal	266,401	200,081
From the Government of Québec	256,590	193,548
From the Agence métropolitaine de transport	13,318	18,860
	<u>536,309</u>	<u>412,489</u>
	<u>676,824</u>	<u>554,339</u>

## 22. PROVISION FOR FUTURE AMOUNTS

(in thousands of dollars)

	2004	2003
Vacation benefits	(12,892)	(13,867)
Sick leaves	(6,501)	(7,480)
	<u>(19,393)</u>	<u>(21,347)</u>

The difference of \$2.0 million between December 31, 2003 and December 31, 2004 has been charged to the statement of financial activities.

## 23. COMMITMENTS

### a) Long-term leases

The Société has entered into long-term leases for office space expiring from September 30, 2005 to July 31, 2023, calling for lease payments totalling \$88.2 million. The minimum payments for the next five years amount to \$1.7 million in 2005, \$4.5 million in 2006, \$4.8 million in 2007, \$4.9 million in 2008 and \$5.1 million in 2009.

### b) Outsourcing of computer centre

The Société is committed to paying a total of \$3.8 million for the years 2005 to 2008 for the outsourcing of its computer centre. Future payments amount to \$1.2 million for the years 2005 to 2007 and \$0.2 million in 2008.

This contract includes a renewal option for an additional two-year period under the same terms and conditions.

### c) Service contract for a communications solution integrator

The Société is committed to paying a maximum of \$10.8 million for the years 2005 to 2012. The two principal components of this contract are a company telephone system at a cost of \$9.2 million and Internet access services at a cost of \$1.4 million. The balance of \$0.2 million is to be used for various operations projects.

Future payments are scheduled as follows: \$1.4 million in 2005 and \$1.3 million for the years 2006 to 2012.

### d) Contract for the supply of bus parts

The Société, as mandatory for the principal transit companies in Québec, awarded contracts for the supply of city bus parts within the framework of a group purchase.

These contracts are spread over periods from three to five years from 2002 to 2007. At December 31, 2004, the total value of these contracts for all the companies involved was \$17.7 million. The portion attributable to the Société de transport de Montréal was \$9.2 million, consisting of \$5.8 million for 2005 and \$1.7 million for the years 2006 and 2007.

Conversely, the Société mandated two Québec transit companies to proceed with a group purchase of city bus parts. These contracts totalling \$12.0 million are spread over periods from three to four years from 2004 to 2008. The portion attributable to the Société de transport de Montréal is \$3.5 million in 2005, \$4.2 million in 2006, \$3.6 million in 2007 and \$0.7 million in 2008.

### e) Contract for the purchase of city buses

The Société has awarded a contract for the purchase of low-floor buses within the framework of a group purchase on behalf of the members of the Québec Urban Transit Association.

The contract runs from 2003 to 2007 and covers the purchase of low-floor buses for all the companies involved. Under this contract, the companies have the option of reducing the quantities ordered by 10% or increasing them by 20%. This contract also includes an indexation clause based on the consumer price index and the industry price index as well as on the variation in the American exchange rate (US) and the European exchange rate (EURO) for the portion of the cost of a bus with American or European content. As an indicator, the American content represents 29% of the base cost while the European content represents 9%. During the 2003 fiscal year, the bus purchases were revised downward for all the companies and now involve 773 buses at an estimated total cost of \$353.3 million.

The revised portion attributable to the Société covers 344 buses for a total estimated cost of \$156.5 million (including the 2003 and 2004 deliveries that amounted to \$18.0 million and \$45.8 million respectively). According to the bus delivery schedule, the 2005 deliveries will cost \$21.5 million, those in 2006, \$35.1 million, and those in 2007, \$36.1 million.

### f) Asset maintenance program for fixed equipment in the métro

The Société signed a contract with an engineering firm for an approximate amount of \$62.7 million for the years 2001 to 2005 to set up and operate a project office responsible for carrying out the asset maintenance program for fixed equipment in the métro. At December 31, 2004, there remained approximately \$7.3 million in expenditures to be incurred between then and 2005.

### g) Foreign currencies

The Société negotiated an agreement with a banking institution to buy \$3.3 million US on September 1, 2005 at the rate of 1.3693, equivalent to \$4.5 million CAN, and \$8.3 million US on December 15, 2005 at the rate of 1.3723, or \$11.4 million CAN, to cover the currency requirements of the contracts awarded for the fare sales and collection project.



## **h) Contracts for the acquisition of a fare sales and collection system**

The Société awarded two major contracts within the framework of the project to upgrade the fare sales and collection system.

As mandatory for six transit operating authorities (AOTs), the Société awarded the first contract for a total amount of \$78.5 million, including \$61.0 million for the Société. This contract covers replacement of the centralized system and related equipment, the purchase of smart cards (the equivalent of tickets and passes in the new system) as well as the maintenance of software and equipment. The portion relating to the costs for software and equipment maintenance, which is entirely borne by the Société, is \$10.7 million. The annual payments in the amount of \$2.1 million will be spread out from 2006 to 2010.

As mandatory for another AOT, the Société awarded a second contract for a total of \$47.5 million, including \$42.2 million for the Société. This contract includes the replacement of the collection boxes in the buses as well as maintenance of the related software and equipment. The portion relating to the costs for software and equipment maintenance is \$0.9 million. The annual payments in the amount of \$0.2 million will be spread out from 2006 to 2010.

## **24. PENSION PLANS AND PENSION OBLIGATIONS**

The Société's pension plans are contributory defined benefit plans. Actuarial valuations were carried out at December 31, 2002 in order to determine the present value of the benefits prorated to years of service. These valuations indicated a surplus in the order of \$151.5 million. Pension plan assets are based on the fair value with fluctuations spread over a three-year period.

At December 31, 2004, the value of the pension plan assets and the present value of the accrued pension benefits were not available. According to the financial statements for the pension plans for the fiscal year ended December 31, 2003, these values were \$2,499.5 million and \$2,319.1 million respectively at December 31, 2003. The expenditure for the year 2004 was \$30.8 million (\$28.7 million in 2003).

At December 31, 2004, the Société was committed in virtue of various pension agreements over and above the obligations under the above-mentioned pension plans. According to an actuarial valuation dated December 14, 2004, these commitments represent a sum of \$4.8 million and result primarily from a pension agreement put in place for the employees of the Société whose annual remuneration exceeds the ceiling for pension plan contributions set by the tax authorities. The Société made a provision of \$3.2 million at December 31, 2004, with regard to these commitments.

## **25. CONTINGENCIES**

Amounts claimed by plaintiffs total \$126.2 million (\$126.3 million in 2003). These claims consist of an application for a class action suit in the amount of \$123.0 million involving the STM's pension plan as well as individual suits, bodily injuries, material damages and various other litigation. At December 31, 2004, the Société made a provision for an amount deemed sufficient for these claims.

## **26. OPINION OF THE AUDITORS**

The opinion of the auditors does not cover the supplementary information.

## ANALYSIS OF PROJECTS IN PROGRESS

(in thousands of dollars)

By-law no	Authorization date	Description	Project amount	Authorized amount (L/B)	Balance at 01/01/2004		
					Loan	Cash	Total
CA-31	08/06/90	Renovation of métro cars	68,800	68,800	65,131	—	65,131
CA-52	11/12/02	Replacement and renovation of fixed equipment in the métro	8,970	8,970	4,352	—	4,352
CA-58	16/08/93	Purchase and installation of 79 escalators in the métro	38,900	38,900	34,362	—	34,362
CA-75	18/08/95	Various capital expenditures 1996	7,200	7,200	5,770	—	5,770
CA-89	01/05/97	Purchase of 96 low-floor buses (1998)	53,750	53,750	45,547	3,894	49,441
CA-95	16/06/97	Métro renovations	7,971	6,058	6,058	1,913	7,971
CA-97	04/05/98	Various capital expenditures 1998	4,100	4,100	3,159	—	3,159
CA-100	06/07/99	Various capital expenditures 1999	6,870	6,870	5,465	—	5,465
CA-101	12/07/99	Various capital expenditures	1,700	1,700	1,249	—	1,249
CA-102	28/05/99	Rail-based vacuum cleaner	1,945	1,945	—	—	—
CA-103	05/07/99	Purchase of 300 low-floor buses (2000-2002)	135,970	135,970	122,905	255	123,160
CA-104	05/01/00	Purchase of scrubbing-cleaning machines and service vehicles	1,410	1,410	1,270	—	1,270
CA-106	10/05/00	ACCÈS software replacement and paving repairs at St-Michel bus depot	9,939	9,265	1,092	4,956	6,048
CA-107	02/06/00	Various capital expenditures 2000	2,034	2,034	922	—	922
CA-108	02/06/00	Service vehicles	2,175	2,175	1,549	—	1,549
CA-109	09/09/02	Renovation program for fixed equipment in the métro	30,656	30,656	2,028	—	2,028
CA-110	29/03/01	SCAD and updating telecommunications services and equipment	3,991	3,991	1,313	—	1,313
CA-111	08/06/01	Capital asset improvements	5,000	5,000	3,168	—	3,168
CA-112	12/07/01	Capital asset expenditures	1,980	1,980	558	—	558
CA-113	01/03/02	Implementation of preferential measures and optimization of terminals	13,725	13,725	—	—	—
CA-114	06/07/01	Service vehicles	2,142	2,142	1,477	—	1,477
CA-116	26/04/02	Réno-Systèmes program	342,263	342,263	16,471	—	16,471
CA-117	28/02/02	Operations support and customer information system (S.A.E.I.C.)	18,028	18,028	—	—	—
CA-118	11/01/02	Purchase of 382 low-floor buses (2003-2007)	222,600	222,600	11,074	—	11,074
R-002	24/04/02	Lift replacement program	7,299	7,299	755	—	755
R-004	29/04/02	Purchase of rail-based vehicles and expansion of track equipment shop	13,171	13,171	—	—	—
R-005	29/04/02	Capital asset expenditures	23,333	23,333	4,286	—	4,286
R-006	03/06/02	Various work in the tunnel and at the Angrignon garage	1,919	1,919	—	—	—
R-007	03/06/02	Renovation of the Mont-Royal bus depot	12,150	12,150	—	—	—
R-010	18/06/02	Fare sales and collection	101,650	101,650	576	—	576
R-014	10/09/02	Service vehicles	2,055	2,055	—	—	—
R-016	09/09/02	Replacement of city minibuses	468	468	—	—	—
R-018	09/10/02	Acquisition and renovation of 2000 Berri	12,560	12,560	5,464	—	5,464
R-019	08/10/02	Renovation of Place d'Armes station	3,210	3,210	—	—	—
R-020	11/12/02	Capital asset expenditures	2,760	2,760	—	—	—
R-024	17/01/03	Réno-Métro phase II - emergency work	2,010	2,010	—	—	—
R-025	17/03/03	Acquisition and implementation of SAP/PM	7,000	7,000	—	—	—
R-027	22/04/03	Réno-Métro phase II	65,142	65,142	—	—	—
R-038	22/09/03	Service vehicles - Vehicle with pump-crane - Elevating platform	5,525	5,525	—	—	—
R-039	25/09/03	Renovation of fire equipment premises	834	834	—	—	—
R-040	24/09/03	Production equipment and tools (APS)	2,556	2,556	—	—	—
R-041	09/09/03	Bousquet ventilation unit	594	594	—	—	—
R-042	09/01/04	Cost for study, plan and estimate, engineering for purchase of MR-2005 métro rolling stock	15,888	15,888	—	—	—
R-043	09/02/04	Acquisition of 7 platforms and a switch broom	742	742	—	—	—
R-045	24/03/04	Re-design of MR-73 métro cars	34,463	34,463	—	—	—
R-046	08/03/04	Replacement of the work accident management system	1,173	1,173	—	—	—
R-047	06/04/04	Capital works projects	2,119	2,119	—	—	—
R-048	06/04/04	Urgent work at the St-Denis complex and the Crémazie shop	1,729	1,729	—	—	—
R-049	07/04/04	Replacement of valves for water supply points - tunnel	2,004	2,004	—	—	—
R-050	07/04/04	Addition of track B+ and refitting of new work areas	731	731	—	—	—
R-051	11/05/04	Re-design of the work vehicle maintenance shop - track 33	2,051	2,051	—	—	—
R-052	13/04/04	Gas/oil spill-proof filling system, buses	1,328	1,328	—	—	—
R-053	10/05/04	Ventilation units for the métro extensions	3,712	3,712	—	—	—
R-054	19/07/04	Modernization of O & K escalators	2,045	2,045	—	—	—
R-055	26/11/04	Relocation of bodyshop installation and re-design of Legendre bus depot	73,646	73,646	—	—	—
R-056	01/02/05	Replacement of service vehicles	3,146	3,146	—	—	—
			1,401,132	1,398,545	346,001	11,018	357,019
Capital assets from 2004 revenue			8,875	—	—	—	—
Capital assets financed from working capital fund			2,630	—	—	—	—
Investment in a limited partnership			999	—	—	—	—
			1,413,636	1,398,545	346,001	11,018	357,019

## Permanent financing

## Expenditures

Financing during year			Balances available	Closed projects	Balance at 31/12/2004			Balance at 01/01/2004	Expenses for the year	Closed projects	Balance at 31/12/2004	Over-financing (under-financing)
Loan	Cash	Total			Loan	Cash	Total					
—	—	—	—	—	65,131	—	65,131	64,288	39	—	64,328	803
2,310	—	2,310	—	—	6,662	—	6,662	5,260	404	—	5,663	999
1,280	—	1,280	—	—	35,642	—	35,642	35,343	301	—	35,644	(2)
80	—	80	—	—	5,850	—	5,850	5,852	9	—	5,861	(11)
160	—	160	—	—	45,707	3,894	49,601	49,610	2	—	49,612	(11)
—	—	—	—	(7,971)	(1,913)	1,913	—	7,971	—	(7,971)	—	—
—	—	—	—	—	3,159	—	3,159	3,178	58	—	3,236	(77)
—	—	—	—	—	5,465	—	5,465	5,542	17	—	5,559	(94)
—	—	—	—	—	1,249	—	1,249	1,346	3	—	1,349	(100)
1,820	—	1,820	—	—	1,820	—	1,820	189	1,537	—	1,726	94
1,740	152	1,892	—	—	124,645	407	125,052	124,216	785	—	125,001	51
—	—	—	—	—	1,270	—	1,270	1,279	—	—	1,279	(9)
3,581	1,017	4,598	—	—	4,673	5,973	10,646	7,905	1,444	—	9,349	1,297
300	—	300	—	—	1,222	—	1,222	1,241	56	—	1,297	(75)
295	—	295	—	—	1,844	—	1,844	1,589	245	—	1,834	10
3,600	—	3,600	—	—	5,628	—	5,628	4,646	5,707	—	10,353	(4,725)
2,486	—	2,486	—	—	3,799	—	3,799	3,668	194	—	3,862	(63)
1,300	—	1,300	—	—	4,468	—	4,468	4,479	302	—	4,780	(312)
300	—	300	—	—	858	—	858	909	(89)	—	820	38
—	—	—	—	—	—	—	—	—	—	—	—	—
431	—	431	—	—	1,908	—	1,908	1,906	13	—	1,919	(11)
77,510	59,352	136,862	—	—	93,981	59,352	153,333	66,199	77,046	—	143,245	10,088
6,250	—	6,250	—	—	6,250	—	6,250	6,261	5,525	—	11,786	(5 536)
65,130	191	65,321	—	—	76,204	191	76,395	21,364	52,283	—	73,647	2,748
1,300	—	1,300	—	—	2,055	—	2,055	2,109	1,231	—	3,340	(1,285)
—	—	—	—	—	—	—	—	166	8,012	—	8,178	(8,178)
1,900	—	1,900	—	—	6,186	—	6,186	6,230	3,445	—	9,675	(3,489)
—	—	—	—	—	—	—	—	19	158	—	177	(177)
—	—	—	—	—	—	—	—	29	309	—	338	(338)
9,300	—	9,300	—	—	9,876	—	9,876	868	6,491	—	7,359	2,517
1,838	—	1,838	—	—	1,838	—	1,838	809	1,032	—	1,841	(3)
—	—	—	—	—	—	—	—	—	—	—	—	—
400	—	400	—	—	5,864	—	5,864	5,902	1,472	—	7,374	(1,510)
—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	175	345	—	520	(520)
400	—	400	—	—	400	—	400	479	1,055	—	1,534	(1,134)
3,207	—	3,207	—	—	3,207	—	3,207	2,177	1,191	—	3,368	(161)
—	—	—	—	—	—	—	—	—	507	—	507	(507)
2,277	—	2,277	—	—	2,277	—	2,277	19	791	—	810	1,467
—	—	—	—	—	—	—	—	—	552	—	552	(552)
—	—	—	—	—	—	—	—	38	480	—	518	(518)
—	—	—	—	—	—	—	—	36	250	—	286	(286)
—	—	—	—	—	—	—	—	39	215	—	255	(255)
—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	47	—	47	(47)
—	—	—	—	—	—	—	—	—	177	—	177	(177)
—	—	—	—	—	—	—	—	—	616	—	616	(616)
—	—	—	—	—	—	—	—	—	133	—	133	(133)
—	—	—	—	—	—	—	—	—	201	—	201	(201)
—	—	—	—	—	—	—	—	—	13	—	13	(13)
—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	133	—	133	(133)
—	—	—	—	—	—	—	—	—	—	—	—	—
189,195	60,712	249,907	—	(7,971)	527,225	71,730	598,955	443,337	174,736	(7,971)	610,102	(11,147)
—	8,875	8,875	—	(8,875)	—	—	—	—	8,875	(8,875)	—	—
—	2,630	2,630	—	(2,630)	—	—	—	—	2,630	(2,630)	—	—
—	999	999	—	(999)	—	—	—	—	999	(999)	—	—
189,195	73,216	262,411	—	(20,475)	527,225	71,730	598,955	443,337	187,240	(20,475)	610,102	(11,147)

