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A message from the Director General



You have in your hands the last official document produced by the STCUM. In fact, in accordance with the Act respecting public transit authorities, adopted in June 2001, the STCUM, as of January 1, 2002, became the Société de transport de Montréal. It bears a new name, but retains its powers and continues its mission to promote and organize trips by public transit for those travelling on its territory: the new city of Montréal.

This 2001 Annual Report thus marks a key moment in the life of the enterprise and reflects the spirit of openness with which it welcomes this new reality. It also presents the numerous initiatives undertaken by the entire workforce to achieve the objectives.

As you will see, 2001 was a good year from several standpoints. The efforts expended to carry out the business plan – Vision 2002 – bore fruit. Ridership on the system rose by 2.1%, customers are more satisfied with services, the métro is more dependable, the on-time performance of buses improved, the number of comments and complaints decreased by 3% and crime in the métro fell by 28%!

2001 was also punctuated by several special events including the launching of the first *Métro* newspaper in the French language. Thanks to this unique concept, the STCUM has established an ongoing communications link with its customers and can take advantage of an effective information channel to transmit its messages. The events of September 11 in the United States were also among the events that profoundly affected us. They shocked the world and shook customers' confidence in transportation networks. The STCUM handled this crisis with great vigour and demonstrated its expertise in the area of security. In fact, while several metros around the world were deserted, ours was used more often, and the sense of security increased significantly, from 75 % in September to 84 % in October! The activities held in the system to celebrate the métro's first 35 years also gave the opportunity to demonstrate that Montréal métro is among the safest in the world and remains a source of pride for all Quebecers.

I salute all the work accomplished by the employees. The performance is enviable, but not to be taken for granted, in the sense that the system is ageing and is in great need of modernization. To maintain this public heritage valued at more than \$5.5 billion in a good state of repair, major projects, necessitating major investment, will have to be carried out over the upcoming years. This situation reminds of the necessity to increase the sources of financing dedicated to public transit to maintain its current infrastructures, improve the existing services and develop new ones. The brief that we presented in conjunction with the STL and the STRSM to the Commission parlementaire des transports et de l'environnement also confirmed the importance of defining a new financial

framework that would ensure sufficient, lasting and equitable financing on both the local and metropolitan levels. The Québec government responded positively to this proposition. It reiterated its commitment to public transit and reaffirmed its willingness to develop it.

I would like to thank the members of the board of directors very sincerely for their support and confidence. They met on 23 occasions to analyze more than 179 dossiers and to adopt related resolutions. Their involvement and enthusiasm contributed greatly to the building of team spirit, thanks to which we were able to move things forward and solidify a fair number of projects.

Finally, I wish a cordial welcome to the new members of the board and assure them of our total cooperation. The STCUM is facing major challenges, and I'm convinced that together we will be able to carry out our vital mission.

A handwritten signature in blue ink that reads "Jacques Fortin". The signature is fluid and cursive, with the first name being more prominent.

Jacques Fortin
Director General

The year's headlines

More than 356 million trips, an increase of 7.1 million or 2.1 % in comparison with 2000

**Growth in Paratransit :
1.3 million trips,
1.4 % more than in 2000**

**Credit ratings of A "high"
and A+ maintained**

**The STCUM prepares to
become the STM**

**The métro celebrates 35 years
with pride**

**The STCUM welcomes the
1st French-language *Métro*
daily in the world!**

**A 28 % decrease in crime
in the métro**

**www.stcum.qc.ca is among the Top
100 Québec Internet sites**

New customized bus services

**Students aged 18 to 25
benefit from
reduced fares.**

98 % of métro users arrive on time!

**Reduction of 3 %
in comments and
complaints**

Vision 2002

At the beginning of 2000, the STCUM drew up a business plan, Vision 2002, firmly centred on its performance and on customer service. As the main priority was to do everything in its power to ensure that public transit occupied a more important place in the Montréal region, the strategies developed revolved around the following four themes:

- the STCUM assumes a leadership role in the development and promotion of public transit;
- 90 % of customers are satisfied with the service provided;
- 90 % of taxpayers in the Communauté urbaine de Montréal, clients and employees consider the STCUM to be an efficient enterprise;
- 90% of employees are mobilized.

The company thus implemented an ambitious plan for the deployment and follow-up of Vision 2002 in order to communicate the company's objectives, announce the achievement of the results and report the progress to the board of directors, management and employees. A performance compensation plan, tied in as well to the achieving of the objectives, was also established along with a special budget to allow work teams to celebrate their successes.



Various communications tools were prepared for managers so that they would share in Vision 2002 and discuss their sector's objectives with their team. Among the primary tools were a video that put the desired results into true context, support documents and a scoreboard that presented the principal indicators each month.

2001 was the year for the implementation of Vision 2002. Meetings were held with a large number of employees, including 50% of the bus drivers, which was a first! 81 % stated that their work was contributing to the realization of the objectives for their sector, and almost 80% said that they were

proud of both their contribution and the progress in their sector.

This report gives an account of the efforts undertaken to carry out this Vision and is testimony to the results achieved within the company.

The bus system

A major shift

The maintenance of buses is a nerve centre of the company and represents one of the key links in the service offer. During the first part of the year, the STCUM was not always in a position to provide the planned service. This problem can be explained, in part, by the fact that a growing number of buses were out of service and by the delay in the deliveries of the new buses.

To ease the situation, an action plan was implemented, and management made some key decisions. First, as of August 8, the chief of operations for the bus system assumed responsibility for both minor and major repairs. Maintenance and operations were thus grouped under the same executive management. In addition, with the approval of the board of directors, an additional \$5.3 million was injected in maintenance. This sum was used to finance 600 additional hours per week until the end of December and to fill some twenty permanent positions.

In view of the scale of the work to be carried out, a public call for offers was launched for the recruitment of a team of maintenance consultants. Its mandate was to support management in the development of various improvement programmes and in the implementation of an integrated information system. The firm Slivia Inc., the outcome of a partnership between SNC Lavalin and Kéolis, a European company, was retained in October, and the three principals have taken up their posts at the beginning of 2002 with a two-year mandate.

Better buses thanks to customers and employees

NovaBUS was not able to begin delivery of the 75 low-floor buses that the STCUM expected in the spring before the end of September. However, these new vehicles incorporate some fifteen improvements proposed by customers. These include the



addition of touch-sensitive bars to facilitate the opening of the rear doors; increased sound-proofing, smoother acceleration; better heating and ventilation; the addition of ABS brakes; increased space in the area for wheelchairs; adjustment in the suspension to reduce the rolling sensation and a less slippery floor covering. Employees, for their part, worked on a daily basis to continue to improve these vehicles.

A network becoming more and more accessible



On June 18, at the request of the Office des personnes handicapées du Québec and associated community groups, the STCUM made the accessible lines available during rush hour to those in wheelchairs.

With the addition on June 28 of lines 36-Monk, 78-Laurendeau, 90-Saint-Jacques, 104-Cavendish, 108-Bannantyne, 138-Notre-Dame-de-Grâce and, on August 2, of lines 16-Graham, 121-Sauvé/Côte-Vertu and 170-Keller, the accessible network now covered 47 lines. The STCUM is the only Québec public transit company providing access to its regular bus system for those in wheelchairs.

The company anticipates that the majority of lines in the regular system will be accessible by the end of 2002.

Paratransit continues its growth

Paratransit handled a total of 1.3 million trips by minibus (36%)

and by taxi (64%), an increase of 1.4%. The STCUM, which is mandated to handle the transportation of persons having a physical or intellectual handicap, is facing a dilemma. The demand continues to increase, but the available resources are not sufficient to meet it.



Approval of the ACCES project for Paratransit

The financing for the ACCES project was approved in November 2001 within the context of the *Canada-Québec Infrastructure Works Program*. This \$8.5 million project covers the installation of an operations management programme that will enable us to offer better service to Paratransit customers, to reduce the average costs of trips and thus to increase the number of trips. Thanks to this impressive system, the management of admissions, reservations, schedules, on the road follow-up and billing will be handled much more efficiently.



In concrete terms, this will translate into, among other things, the more rapid handling of requests. With the present system, a client can be faced with making 43 attempts before reaching an agent and a handling time of almost 12 minutes. The ACCES system will ensure a response after 4 attempts with a handling time of 3 minutes. In addition, it will make it possible to manage regular schedules on the spot, thus eliminating delays that can now reach three weeks. Customers will be able to benefit from the advantages of this new technology as of June 2003.

Express bus lines serving the eastern sector of Montréal



On August 27 the STCUM inaugurated two new express bus lines in the eastern part of Montréal. This important addition in service followed a consultation process with community groups and the local population. The long-awaited lines 182-Métrobus Sherbrooke and 430-Express Pointe-aux-Trembles were a great success from the start. Route changes were also made to line 410-Express Notre-Dame to harmonize and consolidate the service offer.

Agreements go a long way

Thanks to a partnership agreement between the STCUM and Canada Post, the 76-McArthur was put into service on February 5. It enables employees working at the sorting centre in Ville Saint-Laurent to go directly to their workplace by taking a bus from the Du Collège métro station.

The 73-Dalton line, created in August 2000, was the result of a previous agreement between Ville Mont-Royal and the STCUM. As the performance of the route greatly exceeded the minimum required standard of 25 passengers per vehicle per hour, the board of directors agreed on February 14 to integrate this route into the regular bus system.

Bombardier Aéronautique also signed a partnership agreement with the STCUM for line 174-Côte-Vertu Ouest to be put into service in the evenings to facilitate travel for its workers.

A "made in STCUM" lift

A "made in STCUM" lift was installed at the Centre de transport Saint-Laurent in June. A true technical achievement, it can support a weight of 30,000 pounds, 10,000 more than traditional lifts. With this new concept, the STCUM will now be able to deal with the constant evolution in the market and the prospect of new heavier models of buses.



Bus system

180 bus lines
(including 20 in the night service)
11 reserved lanes covering 45.5 km



Fleet of vehicles

1,600 buses
 1,070 standard buses
 530 low-floor buses
 89 Paratransit minibuses
 7 urban minibuses

On-time service of buses

The on-time performance of buses saw a distinct improvement with 78.93 % of the buses delivering service within the normal range of one minute early to three minutes late, compared with 72.19% in 1999.

Performance expressed in %

	1999	2000	2001
Objective (-1min.+3 min.)	72.19	76.8	78.93

Kilometres travelled

Buses	70,424,382
Paratransit minibuses	2,936,096

Accidents with damages involving a bus or minibus

1997	1998	1999	2000	2001
2,986	2,844	2,897	3,153	2,704

Busiest routes

(average weekday ridership)

1.	80-Avenue du Parc	13,800
	165-Côte-des-Neiges	19,900
	535-Parc/Côte-des-Neiges reserved lane	35,300
		69,000
2.	139-Pie-IX	34,700
	505-Voie réservée Pie-IX	7,800
		42,500
3.	67-Saint-Michel	41,200
4.	121-Sauvé/Côte-Vertu	36,700
5.	69-Gouin	30,900

The métro system

Increased service

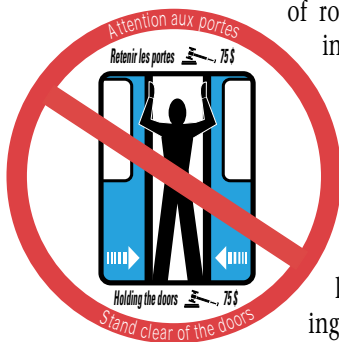
Due to an increase in ridership, the STCUM decided to increase the weekday service on line 1 (green) and line 2 (orange). This measure, in effect since March 12, is aimed at reducing the waiting time on the platforms and crowding in the cars during rush hour. In addition, as the métro is used more and more for travel during the noon hour, three métro trains were added during this period as of September.

Major reduction in crime

Following a 23 % decrease in 2000, the métro system experienced another major reduction in crime, with crimes against persons falling by 28 % in 2001. This is attributable, in part, to the efforts of the Surveillance Service and to the coordinated work carried out since 2000 by a special unit composed of surveillance agents and police officers from the Service de police de la Communauté urbaine de Montréal.

More dependable doors

The priority for the maintenance of rolling stock was to increase the dependability of the door system on the métro cars built in 1963 (MR-63). The efforts dedicated to this problem by all engineering and maintenance employees greatly improved the performance of the métro, with the number of service interruptions linked to this cause going down by 44 %. Also, the average distance of proper functioning between two incidents, for incidents of five minutes or more, went from 42,152 km-elements in 2000 to 79,885 km-elements in 2001, a 90 % improvement.



Our métro among the safest

On September 2 a tear gas bomb was exploded in the Berri-UQAM station causing a lot of commotion. Intense smoke then filled the corridor



leading to the Sainte-Catherine street exit, overcoming some customers. Emergency procedures were quickly implement-

ed. In fact, one minute after the reporting of the incident at 11:28 p.m., the ventilation system had been activated, and by 11:29 p.m. the smoke had completely dissipated. During this time, those in command at the Control Centre implemented the emergency plan so effectively that 12 minutes 30 seconds later evacuation of the station had been completed. The STCUM thus demonstrated that its emergency plan is adequate and effective. This fact was confirmed by the American Public Transportation Association in the conclusion of its audit carried out in 2000: "the STCUM's métro security programme is among the best in North America; several of the best practices in the public transit industry have been developed there".

September 11

The tragic events that occurred in the United States on September 11 prompted metros around the world to redouble their vigilance. While the Montréal métro never received any threats, management put its Unité de coordination des mesures d'urgence (UCMU) on alert as a preventative measure. Thankfully, it did not have to intervene. On the other hand, the fear surrounding the emission of deadly products such as anthrax penetrated the borders of Montréal and resulted in a fair number of reportings in the métro. A special procedure was put in place with the Montréal Fire Prevention Department enabling us to quickly identify suspicious products. However, all the "white powder" alerts turned out to be unfounded. The results demonstrate that the STCUM handled the crisis well, with ridership in the métro going up and the sense of security increasing from 75 % to 84 %!

79 new escalators

September marked the completion of the replacement in 19 métro stations of 79 first-generation Westinghouse escalators that had become too costly to maintain. CNIM Canada won the contract for \$35 million of which \$24 million was financed by the ministère des Transports du Québec. The work, which was spread over five years, will significantly improve the performance of this equipment, all to the great benefit of our clientele.



The métro to Laval: it's going to happen!

Following a call for offers, the Agence métropolitaine de transport entrusted the Consortium Groupement SGTm with the engineering, procurement and construction management (EPCM) for the extension of line 2 of the métro to Laval. The \$378.8 million cost of the project is financed entirely by the ministère des Transports. According to the planned schedule, the three new stations will open in January 2006. The STCUM is closely linked to this project, and given its expertise, has been asked to carry out a number of studies relating to this major system development project. It has the mandate to handle, among other things, the EPCM for all the fixed equipment related to the extension.

Réno-Systèmes: a project to ensure the future

The Montréal métro must undergo a rejuvenation in order to continue serving the millions of passengers that it transports each year. With this in mind, the Réno-Systèmes programme was drawn up to target the renovation and replacement of original fixed equipment such as the telecommunication and ventilation systems, underground cable, etc. This programme is valued at \$310 million and has been submitted to the Québec government, which could finance up to 75 % of the costs. The STCUM has set up its project office with Dessau-Soprin, the firm awarded the mandate, and is awaiting approval from the ministère des Transports before beginning the work.

Celebrating 35 years with pride

Activities celebrating the métro's 35 years took place from October 9 to 29 at the McGill métro station, one of the busiest in the system. Among these was EXPO 35, a display of photos paying tribute to the métro's builders, artisans and personnel. The famous automated model of the Montréal métro produced by an employee, M. Louis-Roger Carrier, was also on display and enthralled thousands of visitors. More than 50,000 people participated in the celebrations. The contest "Ma station de métro préférée" was also a big success. More than 12,000 coupons were filled in, and 35 people won a year of free transportation on the STCUM system.

On October 14, the date of the inauguration of the Montréal métro, the STCUM invited some 100 people to a special event at the McGill métro station during which individual tributes were paid. To enhance the value of the works of art that distinguish its system, the STCUM unveiled a magnificent calendar paying homage to a dozen artists who participated in building one of the largest underground art galleries in the world. This event also marked the launching of M. Benoît Clairoux's book, "Le métro de Montréal, 35 ans déjà", published by les Éditions Hurtubise HMH, a book that has received very positive comments and excellent reviews.



Métro system

4 métro lines totalling 66 km of track and serving 65 stations



Fleet

759 métro cars
 336 MR-63
 423 MR-73

Kilometres travelled

58,035,688

Busiest stations

	(entries)
Berri-UQAM	10,887,250*
McGill	10,874,264
Henri-Bourassa	8,172,803
Longueuil	7,027,422
Guy-Concordia	6,920, 298

* Berri-UQAM passed McGill, which had occupied 1st place for several years.

Busiest day

Thursday, February 1, 2001 with 789,618 entries (probably due to the announcement of a snowstorm)

Dependability

(Number of incidents lasting 5 minutes or more)

	2000	2001	%
Rolling stock	361	264	(27)
Fixed equipment	47	50	6
Crimes, illnesses	408	432	6
Operation of trains	55	37	(33)
Various	9	8	(11)
External causes	6	16	167
All causes	883	807	(9)

Punctuality (norm : 0 + 4 minutes) : 98 % of clients arrive on time

Number of trips delayed by more than 4 minutes (*)

Causes	2000	2001	%
Rolling stock	2,013,686	1,667,076	(17)
Fixed equipment	291,717	378,496	30
Crimes, illnesses	2,342,960	2,209,872	(6)
Operation of trains	297,393	165,943	(44)
Various	89,972	57,642	(36)
External causes	35,434	160,906	354
All causes	5,071,162	4,639,935	(9)

(*) It must be taken into account when reading this chart that the métro handled more than 214.6 million trips in 2001.

Finances

Extremely positive results

The 2001 financial results were more than positive. They reflect a surplus of revenues over expenses of \$15.9 million, slightly more than the amount counted on to balance the 2002 budget. These results are attributable primarily to the rigorous management of expenses and to an increase of \$13.7 million more than expected in passenger revenue resulting from a 2.1% increase in ridership, higher than the 1.6% increase achieved in 2000.

More specifically, the Société provided 354.9 million trips by bus and métro, 7.1 million more than in 2000. Paratransit also experienced an increase, registering 17,481 additional trips, a total of 1,279,225 compared with 1,261,744 in 2000, an increase of 1.4%.

These results are all the more positive in that they were achieved despite the fact that the Agence métropolitaine de transport could not pay the full amount of the contributions it should have for the metropolitan trips taken on its territory, representing a reduction in revenue of some \$3.7 million. It is testimony, moreover, of the efforts undertaken by the municipalities of the Communauté urbaine de Montréal to promote public transit, with their agreement to bring their contribution to \$236.6 million in 2001, an increase of \$5 million from 2000.

Two excellent credit ratings

The STCUM's credit ratings have been maintained. In fact, the Dominion Bond Rating Service Limited once again accorded it an A "high" rating based on its positive financial results. This is higher than the ratings given to the Government of Québec and Hydro-Québec, both of which currently have an A rating.

Standard & Poor's, for its part, gave the company an A+ rating for its good financial performance despite the economic slowdown. Moreover, it noted that "the management team is competent and experienced and demonstrates effective control over its operating costs".

Group purchase of gasoline



In view of a major increase in the price of diesel fuel in 2000-2001, the members of the Quebec Urban Transit Association (ATUQ), under the auspices of the STCUM, proceeded with a joint call for offers for the supplying of gasoline for each of the member companies. This new approach is promising as it could generate potential savings of more than \$2 million over the next two years, including almost \$1 million for the STCUM.

Still more needs to fill in Paratransit

The demand for Paratransit continues to grow at a much greater pace than the offer. The ministère des Transports du Québec, which subsidizes 75 % of the admissible expenses, approved a budget of \$19.7 million in 2001, an increase of \$355,000 from 2000. Thanks to more efficient management of resources and an increase in financing, the STCUM was able to handle 3,500 more trips than in 2000.

2002 Budget

On December 4 the members of the board of directors adopted the 2002 budget for the new STM. The budget is rising to \$725.5 million, an increase of 3.8 % in comparison with 2001. It was drawn up with the objectives of consolidating assets, developing services, ensuring the transition and fulfilling the commitment made by the elected officials of the new city of Montréal to offer students the opportunity to obtain the monthly pass (CAM) at a 50 % discount, a privilege reserved up to now for students under 18 years of age.





Thus, as of January 2002, more than 60,000 full-time students, aged 18 to 25, residing on Montréal territory, were able to benefit from a reduction of 50 % when buying their monthly pass, a saving of \$300 per year. The STM is the only transit company in the metropolitan region to offer students 25 and under such a large fare reduction. This measure is aimed at encouraging the use of public transit and should result in a minimum of 3,500 new clients in the system.

The cost of the Carte Privège is estimated at \$19 million and is financed in part by the city of Montréal, which agreed to increase its contribution to public transit by \$7.5 million, for a total of \$244.1 million in 2002. The increase in passenger revenue, higher than expected, the additional rise of fares and the readjustment of certain expenses and priorities, among other things, will allow us to make up the difference.

The 2002 budget also calls for an average fare increase of 3.4 %. Despite these increases, the new STM will continue to be among transit companies offering the lowest fares in North America. These increases, combined with the predicted rise in ridership, should result in an \$8.4 million increase in passenger revenue.

In 2002 the STM will invest more than \$10 million in the improvement of customer services. It will provide 4.2 million hours of service on the bus network, 65,000 additional hours in comparison with the 2001 forecasts.

Finally, the budget for Paratransit will reach \$28.5 million. This increase takes into account a ridership increase of 2.6 %, representing 33,000 additional trips in comparison with the 2001 forecasts.

Investment expenses 2002-2004

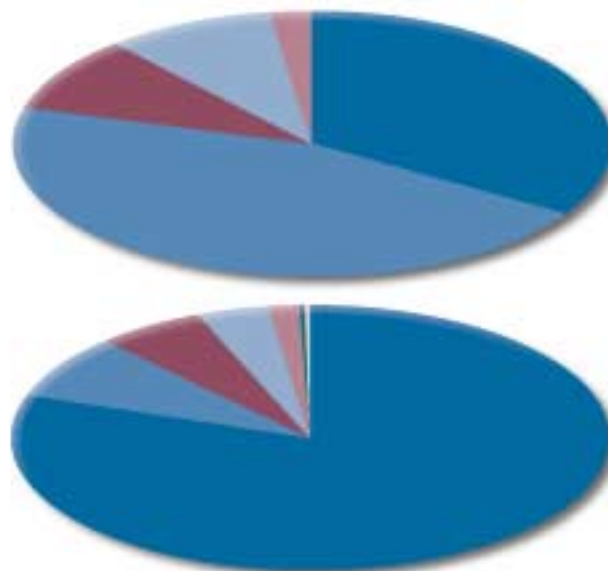
The STM plans to inject \$713.8 million into the maintenance and renewal of its equipment, \$637.3 million in major projects and \$76.5 million in periodic major maintenance of equipment.

Among the major projects are the programme to replace and renovate the fixed equipment in the métro (Réno-Systèmes), phase 2 of the métro renovation programme, renewal of the system for the sale and collection of fares, modernization of the bus maintenance centre, optimizing of the various bus terminuses and the implementation of preferential measures for buses on five major arteries in the city as well as on three segments of highway. Also among these projects are the implementation of an integrated operations and customer information system, the programme to replace rail-based service vehicles, and the installation of an operations management software package.

The STCUM's numbers

Revenue (in millions of dollars)	698,675
Contribution from the municipalities of the CUM	236,600
Passengers	318,265
Miscellaneous contributions	63,560
Subsidies from the government of Québec	63,938
Other	16,312

Expenses (in millions of dollars)	691,847
Buses and métro	554,011
Debt servicing and financing	54,076
Sinking fund	40,907
Paratransit	26,243
Maintenance of fixed assets	11,681
Transfer to the statement of investment activities	2,505
Transfer to working capital	1,400
Unforeseen expenses	1,024



Fare structure

	1997	1998	1999	2000	2001
CAM					
Regular fare	\$45	\$45	\$46	\$47	\$48.50
Reduced fare	\$19	\$19	\$19.50	\$20	\$22.50
Weekly CAM					
Regular fare	—	\$12	\$12.25	\$12.50	\$13.50
Reduced fare	—	\$6	\$6.25	\$6.50	\$6.75
Strip of six tickets					
Regular fare	\$8	\$8	\$8.25	\$8.25	\$8.50
Reduced fare	\$4	\$4	\$4.25	\$4.25	\$4.25
Cash					
Regular fare	\$1.85	\$1.85	\$1.90	\$2	\$2
Reduced fare	\$1	\$1	\$1	\$1	\$1
Tourist card					
1 day	\$5	\$5	\$5	\$7	\$7
3 days	\$12	\$12	\$12	\$14	\$14

Sales of fares

Type of fare	Regular fare	Reduced fare
CAM	2.3 million	1.1 million
Weekly CAM	2.7 million	205,000
Strip of six tickets	6.2 million	2 million
Cash payment	25.5 million	3.8 million
Tourist card		
1 day	47,810	
3 days	30,208	

Ridership (in millions)

	1999	2000	2001
Buses and métro	342	347.8	354.9
Paratransit only	1.25	1.26	1.28
Total	343.25	349.06	356.18

Customer information

Launching of the daily *Métro*

In partnership with the STCUM and Metro International, le groupe Transcontinental launched the first French-language *Métro* daily in the world. This 24-page tabloid, with a print run of



110,000 copies, is distributed in the 65 métro stations Monday through Friday. It provides the STCUM with a unique and tailor-made concept for communicating with its clients. In fact, this daily establishes a direct and consistent link with them thanks to the *Info-STCUM* page that provides a wealth of useful information each day on the company and its services. A survey of readers shortly after the paper's launch indicated that the satisfaction rate for this page was close to 80%. *Métro* offers local, national and international news and can be read in 20 minutes. It is published in some twenty large cities in Europe and North and South America.

Promotion campaign on customer information tools

With the objective of increasing awareness of its various tools, a campaign was developed to make customers aware of, among other things, the Internet address, the network map and the operations of TelBUS. Among the main activities was the placing of our Internet address on the back of all the buses. This campaign had positive results with a marked increase in the use of the Web site and TelBUS. In addition, a survey indicated that 80 % of customers use the tools as a principal source of information, compared with 69 % in 2000.

Top 100 for our Internet site

Use of the Web site has continued to increase since 1997. In 2001 it attracted 2,420,276 visitors, an average of more than 6,630 per day (8,000 by the end of the year). This 61 % increase is due to the addition of information on the site and to the promotional efforts undertaken to encourage clients to go and find their schedules and routes using the "Tous azimuts" section of the site.



In its October issue, the magazine Guide Internet placed the STCUM site among the 100 best in Québec for 2001 in the "Services" category based on its content, design and user-friendliness. The Toile du Québec awarded the site a "coup de cœur" during the same period.

The schedules are posted at McGill

In January the STCUM proceeded with the installation of electronic displays in the McGill métro station. Located on both the ticket booth and platform levels, these displays, in addition to providing the time, inform clients of the status of service. Since the end of October, circuits placed on the tracks allow the display in real time of the arrival time of the next two trains in each direction, a feature much appreciated by clients.



Digitization of the network map

Thanks to digitization, the network map now costs less to produce and can be placed on the Web site. This free map continues to be the primary customer information tool, providing all the public transit options on the island of Montréal.

Network maps in the Viacom bus shelters

Approximately thirty bus shelters now display the STCUM's network map and schedules for the lines serving each shelter. These tools are greatly appreciated by our clientele and should be permanently installed in all Viacom bus shelters by the end of 2002.



22 % more calls to TelBUS

TelBUS, the computerized telephone system providing the arrival times of buses, handled 14,079,639 calls during the year, an average of almost 39,599 per day. This represents an increase of 22.4 % in comparison with 2000. Saturday December 15 was the busiest day with 53,461 calls received.

1997	8,655,807 calls
1998	9,957,392 calls
1999	10,795,550 calls
2000	11,840,496 calls
2001	14,079,639 calls

Planibus

The Planibus folders provide the schedule at key points as well as the route for a given bus line. More than 5.4 million of these folders were distributed to clients during the year, in particular during the schedule changes in January, March, June and August. They are also available in PDF format on the Web site and can be easily printed.

Infobus

Infobus are panels attached to the bus stop poles that provide the arrival times and the route of a bus line at a given point. The some 3,500 Infobus panels spread across the territory were updated four times this year. In

response to client demand, they are now available in the métro stations served by the various buses.



A-U-T-O-B-U-S information centre

In 2001 the information centre experienced a reduction in busy signals, with a rate of approximately 30 % at the end of 2001 compared with 56 % the previous year. The centre responded to 2,845,313 calls, 13 % fewer than in 2000. Of this number, 15 % were handled by agents, the remainder by the automated response system.

Reduction in comments and complaints

The number of complaints and comments went down by 3 % in 2001, from 19,481 to 18,878, this despite an increase in the cases received via the Internet. This reduction can be explained, in part, by the fact that the back to school period this year was less difficult than in 2000 when the company was confronted with the much more serious problem of non-availability of vehicles.

Number of comments and complaints

(received by telephone, by mail or via the Internet)

1999	15,904
2000	19,481
2001	18,878

Always very present in the media

The STCUM held 17 press conferences and issued 80 press releases to provide information or to promote its services. It gave some 1,000 interviews and authorized almost 200 instances of filming in its system including reports and short and long features.

Communication campaigns

Win a free year of transportation

The CAM by Mail service, which enables clients to receive their monthly card by mail, was launched in October 2000. According to a customer survey, the charge of \$1 being applied was a barrier to subscription. The STCUM therefore decided to abolish these charges. To publicize its decision, the STCUM conducted a promotional campaign featuring a contest "Gagnez un an de transport gratuit". This campaign was very successful, with the number of subscribers increasing by some 300% in the space of six months. By the end of the year the STCUM had almost 3,000 subscribers.



Holding open the doors is not a good move

The act of holding open the doors to allow someone to enter a métro car at the last minute delays the departure of the train and causes delays for a large number of people. This creates a domino effect on the whole line. In addition to having direct consequences on service, holding back the doors causes sudden braking that can sometimes result in injuries to passengers. An awareness campaign was therefore launched that included ads, distribution of flyers, the vigilance of prevention officers and the placing of a sticker on each of the métro car doors. The results of this campaign were very encouraging. In fact, we noted a reduction of more than 20% in comparison with the preceding year in the number of service interruptions related to this cause, and a reduction of 18% in their duration.

In complete confidence



"Pour prendre l'autobus et le métro en toute confiance" is the title of a video produced in collaboration with Tandem Montréal. Twelve minutes in length, it deals with various means at the disposal of clients and employees for travelling in complete security. It will be shown primarily by the team of animators at Tandem Montréal to seniors and women's groups. Almost 15,000 people will thus be reached each year.

"Breaking the wall of silence"

This was the message sent by the representatives of the Surveillance Service to the young people from Montréal schools during their tour coinciding with the return to school in September. This slogan, used by Info-Crime Jeunesse in their fight against crime related to taxing, street gangs, drugs and knives, proved its effectiveness with young people.



Reporting helps

The campaign "Signaler, c'est aider" made passengers aware of the proper usage of the two pieces of safety equipment that they can use during an emergency situation - the interphone located inside the métro cars and the red telephone installed in the "Assistance" locations on the platforms. The message reiterated the importance of immediately reporting an incident to métro personnel rather than intervening directly and risking one's life.

Already there!



The first phase of the campaign "Déjà là" was aimed at reinforcing public transit users on their transportation choice and demonstrating that the STCUM saves time for its clients. Running from October to December, it presented the advantages of travelling by métro, known for its dependability and speed. Three original designs were posted throughout the system - on buses, in the métro and in bus shelters - and made more than one person smile.

Partnerships

The Grand Prix champion!

The STCUM surpassed itself in transporting fans to and from the Canadian Formula 1 Grand Prix and came out a winner! It provided 413,800 trips by métro, 78,380 more than in 2000, an increase of 23%. This performance was made possible thanks to the addition of service on line 4-yellow, to the organization set up to respond to the requirements and to the efficiency of employees.



Museum Day

The STCUM renewed its association with the Board of Montréal Museum Directors as part of the 15th edition of Museum Day held on Sunday, May 27. Some 82,000 people participated in the event, and more than half took advantage of the STCUM's shuttle service.

A day for a change of air!

Clean Air Day took place June 6 under the theme "Change d'air! Ménage ta voiture". This event, organized by Transport 2000 Québec, was aimed at making downtown travellers aware of the existence of a less polluting mode of transport than the car to get to work. The STCUM is a natural partner for this event and promoted it throughout its system.



The Montréal Alouettes move the crowds

The STCUM renewed its partnership agreement with the Montréal Alouettes for a fourth consecutive year. Thanks to this initiative, football fans could take advantage of a free shuttle service to go to Percival-Molson stadium. The popularity of this service continues to grow year after year, with 80,990 trips being registered this year in comparison with 78,340 last year, an increase of 3.4%.

Official transporter for the Fête des enfants

Official transporter for the third year for the Fête des enfants de Montréal held on Sunday, August 19, the STCUM provided free transportation to families travelling to the event at Maisonneuve Park. In addition, it welcomed thousands of young people to its information booth



and took advantage of the opportunity to make them aware of the proper behaviour to adopt for safe travel on public transit. Its new mascot, Urbain, made his first official appearance. Urbain had tremendous fun ... to the great pleasure of young and old alike!

Jacques Cartier sheltered from the weather

On September 28 the STCUM inaugurated the statue of Jacques Cartier at the Place Saint-Henri métro station. This ceremony took place within the context of the Journées de la Culture in the presence of dignitaries, soldiers from the Compagnie franche de la Marine and students from schools in the area who came to familiarize themselves with public art. The Montréal municipal administration had decided to find shelter for this work dating from 1893. It had been previously located at nearby square Saint-Henri where it suffered from the vagaries of the weather.



Present in the community

The STCUM participated in several other activities. We should mention, among others, the Open Houses at the city of Montréal (new home buyers), National Transportation Week, the

Commerce Design Montréal contest, Action Week Against Racism and World Book Day.

International cooperation

With RATP

The protocol for collaboration with the Régie Autonome des Transports Parisiens, signed in September 2000, arose from the common need of the STM and RATP to develop a privileged relationship. The exchange of know-how, technical missions and visits followed one after the other throughout the year from both sides of the Atlantic. The subjects tackled were also extremely diverse and touched on customer service, Paratransit, the operation and maintenance of bus and métro systems, the ticketing system, studies for the extensions of métro lines and the management of businesses within the stations.

During a visit at the beginning of the year by a delegation interested in improving customer service, the representatives from RATP were particularly impressed with the STCUM's expertise in "door-to-door" transport of the disabled and those with reduced mobility, as RATP does not offer a similar service.

With Lyon

A protocol agreement for collaboration between the Syndicat Mixte des Transports pour le Rhône et l'Agglomération Lyonnaise (SYTRAL), the Société Lyonnaise de Transports en Commun (SLTC) and the STCUM was signed in February. This collaboration calls for the organization of a seminar, the welcoming of interns, a research and development programme for new vehicles and the study of corporate policies relating to customer information. It paves the way for more business partnerships on the international level.



Social commitment

The greening of Montréal

The 2001 environmental assessment has been filed and summarizes the evolution of the various programmes deployed over recent years with regard to air, water and waste materials. Two observations can be drawn from it: the overall situation is improving, and procedures are respected and well integrated into the daily activities of personnel.

The art of giving

Our employees are known for their generosity. The goal for the 2001 fund-raising campaign was \$301,000. However, the donations received totalled \$364,072.84, 21 % more than the objective set. The donations were distributed as follows: the Red Cross, \$79,769.99; Centraide, \$102,626.10; and Réchaud Bus (officially created in January 1995 by employees and retirees to provide hot meals and comfort to young people on the streets), \$181,676.75.

Employee good works

Fund-raising for the Bonnes œuvres des employés was a great success with the sum of \$42,104.13 being collected. Two activities led to this result: the sale of coupons for a draw for a computer and a television (\$5,385) and the traditional collection from customers in the métro stations (\$36,719.13). This sum, slightly higher than the previous year, was used to fill some 400 Christmas baskets that were handed out to less fortunate families in Montréal.

Extraordinary heroes



During a fifth recognition event held on May 17, the Director General, Jacques Fortin, presented eight employees with a certificate of recognition underlining the extraordinary acts that they had performed within the context of their jobs. The recipients were Lina Dufault, Louise Legault, Claude Lévesque, Danielle Patenaude, Josée Marion and Daniel Tremblay, all bus drivers, as well as Robert Uson, a métro operator and Éric Zecchini, a train master.

Giving wings to disabled children

For 10 years now, several employees of the STCUM have participated in clean-up duties at Camp Papillon, located at Saint-Alphonse de Rodriguez, and organized by the Quebec Society for Disabled Children. This year, the charity committee at the Centre de transport Legendre were successful in collecting the funds necessary to build a library "Le coup d'œil" that already contained more than 6,800 books at the time of its opening.

The blood of life

Two blood donor clinics were organized in the métro during the year. On each occasion, the objective of 745 donations of blood was met thanks to the participation of employees and clients.

Young public employees for the day

On April 26 the STCUM welcomed 24 students as part of the programme "Jeune fonctionnaires d'un jour" designed to enable them to explore the various career possibilities within the public service. Based on the comments received, this was an unforgettable day for many of them!

Human resources

The STCUM hired 411 individuals in 2001 including 206 bus drivers. Twenty-six welcoming sessions were organized, enabling some 270 employees to meet members of the board of directors and to discuss the company's Vision.

The results achieved under the Equal Access Plan were slightly less than expected. Of the total positions filled for the bus drivers, maintenance personnel and surveillance officers targeted by this plan, 34.5% were filled by women and 17.5% by minorities, compared to the objectives of 40% and 25% respectively.

Planning for retirements presents a huge challenge for the team in Human Resources. In fact, in 2001, 695 employees were eligible for retirement, and it is projected that 31.7% will retire between 2002 and 2005. The average age of employees is 46, and they have an average of 16 years of service with the company.

Training represents a priority from which the company will not be diverted. In 2001, 3,820 employees (53% of the workforce) received training pertinent to their function, representing a total of 11,810 days.

In accordance with the Pay Equity Act adopted in 1997, the STCUM has continued its work with the representatives from the accreditation units concerned to identify employment categories in which salary gaps could be due to systemic discrimination.

The workforce at December 31, 2001

Area of activity	1999	2000	2001
Upper level operations management	299	297	302
Foremen	116	116	117
Managers	154	167	167
Non-unionized professionals and office employees	104	96	89
Unionized professionals	182	184	186
Divisional clerks	204	185	182
Surveillance officers	139	146	148
Unionized office employees	568	592	590
Drivers, operators and employees in related services	3,551	3,617	3,604
Maintenance employees	1,801	1,869	1,861
Total	7,118	7,269	7,246

Representation of women

Women represent 16% of the company's workforce.

Unions and company associations

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

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

Syndicat des employé(e)s de bureau, technicien(ne)s et professionnel(le)s de la STCUM (section locale 2850 - SCFP)

Syndicat des employés du transport en commun (section locale 2551 - SCFP)

Fraternité des constables et agents de la paix de la STCUM

Syndicat des professionnelles et professionnels de la STCUM

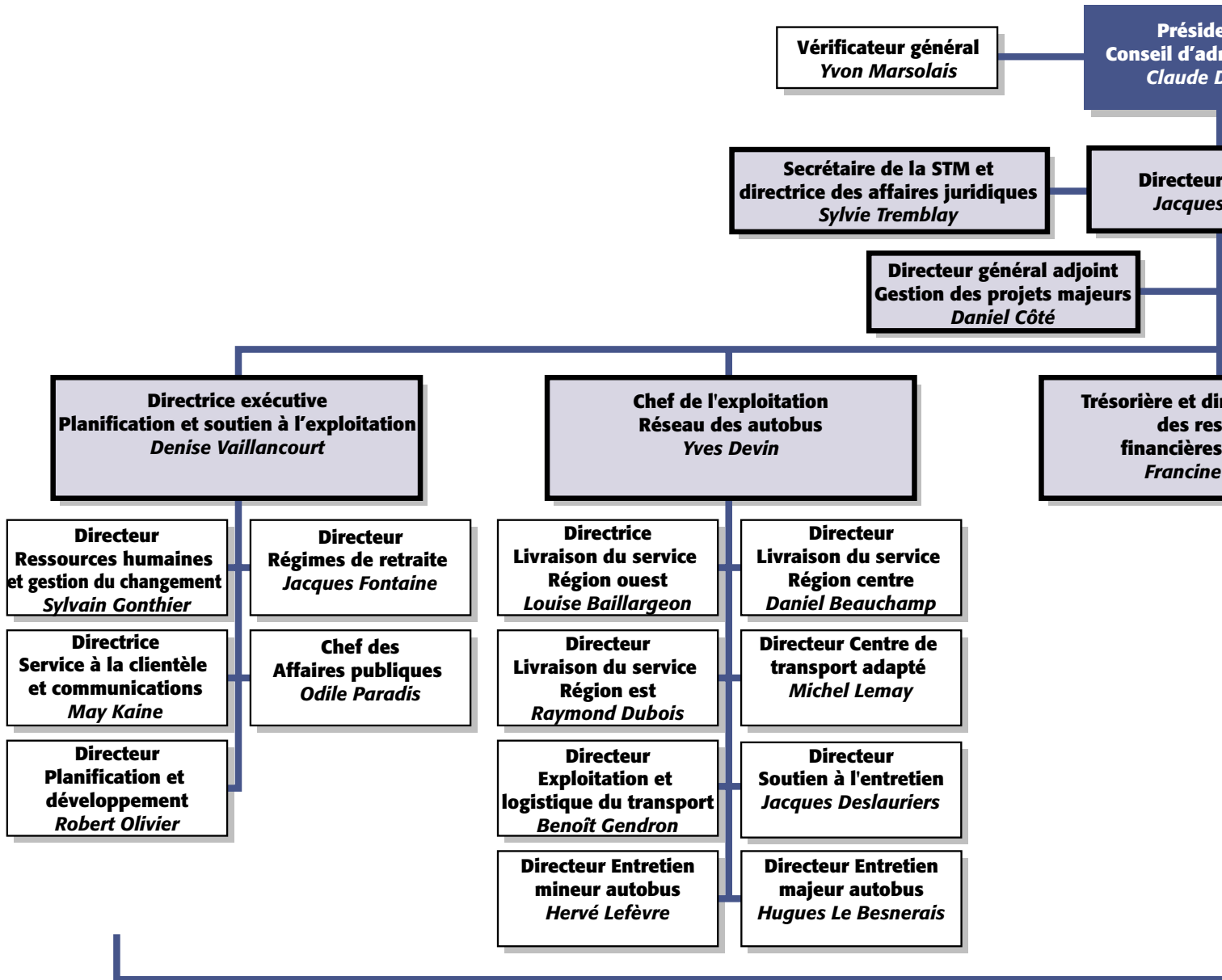
Association des chefs d'opérations - Bus network

Association des chefs d'opérations - Métro network

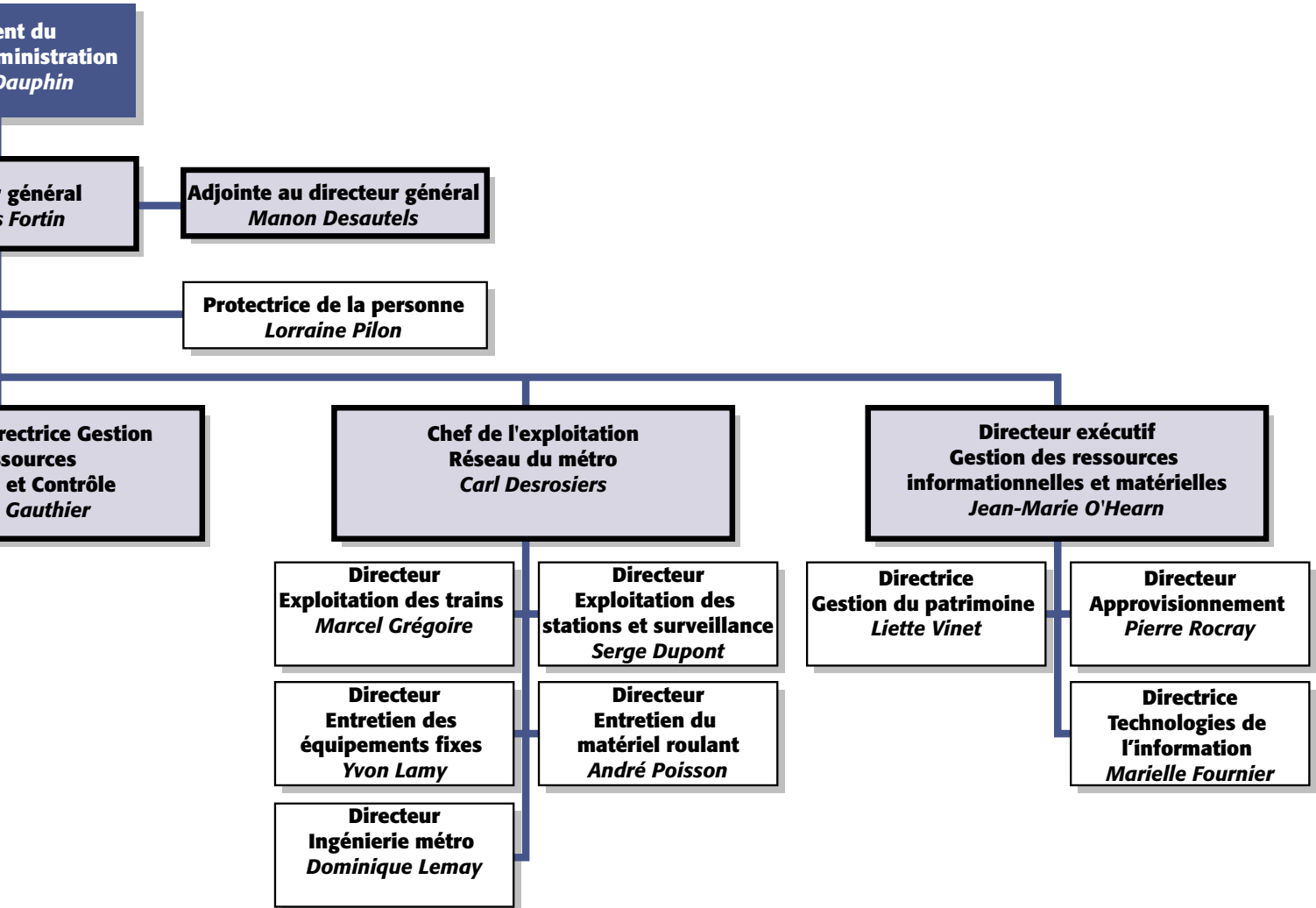
Association des contremaitres

Association des cadres - STCUM

The STCUM structure



7,300 employees in s



support of the company

Members of the direction committee

Board of Directors

From left to right

Monsieur Achille Polcaro, Montréal city councillor

Madame Vera Danyluk, chairman of the executive committee of the Communauté urbaine de Montréal

Monsieur John W. Meaney, mayor of the city of Kirkland

Monsieur Pierre-Yves Melançon, chairman, Montréal city councillor

Monsieur Jean-Guy Deschamps, Montréal city councillor

Monsieur Frank Zampino, C.A., vice-chairman, mayor of the city of Saint-Léonard

Monsieur Ovide T. Baciú, mayor of the city of Roxboro

Madame Ginette Marotte, citizens' representative for the suburbs of Montréal

Monsieur Yves Leblanc, citizens' representative for Montréal



Audit Committee

Monsieur Frank Zampino, C.A. chairman, mayor of Saint-Léonard

Monsieur Jacques Fortin, director-general of the STCUM

Monsieur Ovide T. Baciú, mayor of the city of Roxboro

Monsieur Jean-Guy Deschamps, Montréal municipal councillor

Monsieur Michel Bélanger, F.C.A.

Monsieur L. André Poirier, C.A.

Financial statements

At December 31, 2001

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Auditor's Report

To the Members of the Board of Directors of the Société de transport de la Communauté urbaine de Montréal

We have audited the balance sheet of the Société de transport de la Communauté urbaine de Montréal as at December 31, 2001, and the statements of financial activities, investment activities, 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 generally accepted Canadian auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that 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, 2001, 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 Quebec.

Raymond Chabot Grant Thornton

General Partnership
Chartered Accountants

Montréal
March 12, 2002

Statement of financial activities

Year ended December 31, 2001

(in thousands of dollars)

	Budget	2001	2000
REVENUE			
Passengers (note 3)	304 568	318 265	296 956
Contribution from the municipalities of the MUC	236 600	236 600	231 600
Government of Quebec subsidies (note 4)	68 496	63 938	64 583
Contribution from the Agence métropolitaine de transport (note 5)	64 737	61 716	66 233
Contribution from the Société de transport de la Rive-Sud de Montréal (note 6)	1 803	1 844	1 803
Other revenue	14 830	16 312	16 836
	691 034	698 675	678 011
Revenue from investment activities	—	3 595	4 131
Return on sinking fund investments	—	5 628	5 037
	691 034	707 898	687 179
EXPENDITURES			
Bus and metro service	550 909	554 542	530 402
Paratransit service	25 535	26 243	24 987
Debt servicing and financing costs (note 7)	37 781	33 814	38 077
Unforeseen expenditures	6 096	1 024	395
Asset maintenance	12 000	11 681	11 271
	632 321	627 304	605 132
OTHER FINANCIAL ACTIVITIES			
Repayment of long-term debt (note 8)	24 995	57 828	61 697
Transfer to the statement of investment activities (note 9)	3 828	6 100	9 745
	28 823	63 928	71 442
	661 144	691 232	676 574
SURPLUS FROM FINANCIAL ACTIVITIES BEFORE INCIDENTAL ACTIVITIES	29 890	16 666	10 605
Incidental activities (note 10)	—	531	5
SURPLUS FROM FINANCIAL ACTIVITIES BEFORE APPROPRIATIONS	29 890	17 197	10 610
APPROPRIATIONS			
Accumulated surplus from previous year appropriated to current year	8 000	9 134	6 487
Reserved funds			
Transfer to sinking fund and working capital	(37 890)	(47 935)	(43 694)
Transfer from sinking fund	—	37 566	35 731
	(37 890)	(10 369)	(7 963)
SURPLUS	—	15 962	9 134

Statement of investment activities

Year ended December 31, 2001

(in thousands of dollars)

	2001	2000
SOURCES OF FINANCING		
Long-term loan issued	60 000	21 338
Transfer from financial activities (note 9)		
General revenue	2 505	5 614
Specific revenue	3 595	4 131
Reserved funds	1 400	2 600
	<u>67 500</u>	<u>33 683</u>
INVESTMENT EXPENDITURES		
Buildings	3 260	968
Initial system and metro extensions	2 204	53
Improvements to metro infrastructure	8 468	12 322
Local infrastructure	—	926
Rolling stock - buses	24 500	15 593
Rolling stock - minibuses	—	836
Rolling stock - other	1 796	2 766
Office equipment and software	5 026	3 699
Machinery, tools and equipment	717	4 098
Capital assets in progress	4 233	2 264
	<u>50 204</u>	<u>43 525</u>
Financing carried out (to be carried out) during the year	<u>17 296</u>	<u>(9 842)</u>

Balance sheet

December 31, 2001

(in thousands of dollars)

	2001	2000
ASSETS		
Short-term assets		
Cash	9 787	8 599
Banker's acceptances, at cost	—	1 995
Deposit certificates, at cost, due in January 2002	9 839	7 797
Restricted cash and investments (note 11)	—	29 593
Government of Quebec subsidies receivable (note 12)	13 498	11 409
Contribution from the Agence métropolitaine de transport receivable	21 732	13 465
Contribution from the Société de transport de la Rive-Sud de Montréal receivable	1 844	901
Other receivables (note 13)	34 986	36 491
Financing receivable (note 18)	660	—
Inventories of supplies and replacement parts	13 111	14 609
Current portion of long-term debt (note 16)	17 085	22 385
	<u>122 542</u>	<u>147 244</u>
Capital assets (note 14)	895 955	912 170
Deferred charges (note 15)	10 194	3 286
Restricted cash and investments (note 11)	91 392	52 830
Long-term debts (note 16)	204 393	210 257
	<u>1 324 476</u>	<u>1 325 787</u>
LIABILITIES AND EQUITY		
Short-term liabilities		
Short-term loans	51 320	65 021
Accounts payable and accrued liabilities (note 17)	91 461	87 089
Surplus deferred to following year	15 962	9 134
Current portion of long-term debt (note 18)	29 959	57 828
	<u>188 702</u>	<u>219 072</u>
Long-term debt (note 18)	448 443	417 742
Deferred subsidies	210 730	223 446
	<u>847 875</u>	<u>860 260</u>
Equity		
Provision for future amounts (note 19)	(25 955)	(28 259)
Reserved funds	74 255	47 990
Net investment in long-term assets	428 301	445 796
	<u>476 601</u>	<u>465 527</u>
	<u>1 324 476</u>	<u>1 325 787</u>

Statement of reserved funds

Year ended December 31, 2001

(in thousands of dollars)

					2001
	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Transfer to investment activities	Balance at end of year
Sinking fund	82 423	46 535	(37 566)	—	91 392
Working capital	—	1 400	—	(1 400)	—
Financing of projects in progress	(34 664)	—	—	17 215	(17 449)
Balance on hand from closed loan by-laws	231	—	—	⁽¹⁾ 81	312
	<u>47 990</u>	<u>47 935</u>	<u>(37 566)</u>	<u>15 896</u>	<u>74 255</u>
(1) Balance on hand following closing of loan by-laws				632	
Use of balance on hand for financing				(551)	
				<u>81</u>	

					2000
	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Transfer to investment activities	Balance at end of year
Sinking fund	75 560	42 594	(35 731)	—	82 423
Working capital	1 500	1 100	—	(2 600)	—
Financing of projects in progress	(24 814)	—	—	(9 850)	(34 664)
Balance on hand from Closed loan by-laws	223	—	—	8	231
	<u>52 469</u>	<u>43 694</u>	<u>(35 731)</u>	<u>(12 442)</u>	<u>47 990</u>

Statement of net investment in long-term assets

Year ended December 31, 2001

(in thousands of dollars)

	2001	2000
Balance at beginning of year	<u>445 796</u>	<u>420 882</u>
Prior-year adjustment of capital assets (note 14)	<u>—</u>	<u>24 001</u>
Plus		
Acquisition of capital assets	50 204	43 525
Long-term debt repayment	57 828	71 836
Amortization of deferred subsidies	12 716	14 949
	<u>120 748</u>	<u>130 310</u>
Less		
Disposal of capital assets	8 172	—
Capital asset depreciation	58 247	61 906
Long-term debt reduction	11 164	25 491
Long-term debt issuance		
investment activities	60 000	21 338
financial activities	—	20 662
Debt being refinanced	660	—
	<u>138 243</u>	<u>129 397</u>
Balance at end of year	<u>428 301</u>	<u>445 796</u>

Statement of changes in financial position

Year ended December 31, 2001

(in thousands of dollars)

	2001	2000
Operating activities		
Surplus	15 962	9 134
Transactions not affecting cash		
Appropriation of prior year surplus	(9 134)	(6 487)
Transfer to reserved funds	1 400	1 100
	<u>8 228</u>	<u>3 747</u>
Transactions not affecting operations		
Transfer to the statement of investment activities	2 505	5 614
Repayment of long-term debt	20 262	25 966
Transfer to reserved funds	40 907	37 557
	<u>71 902</u>	<u>72 884</u>
Net change in non cash components		
Subsidies and contributions receivable	(11 299)	3 512
Other accounts receivable	1 505	(17 341)
Financing receivable	(660)	10 570
Inventories of supplies and replacement parts	1 498	645
Accounts payable and accrued liabilities	4 372	(6 276)
Provisions for future amounts	2 304	2 117
	<u>2 304</u>	<u>2 117</u>
Cash flow from operating activities	<u>69 622</u>	<u>66 111</u>
Investment activities		
Acquisition of capital assets	(50 204)	(43 525)
Deferred charges	(6 908)	(3 286)
Acquisition of restricted investments	(38 562)	(4 967)
	<u>(95 674)</u>	<u>(51 778)</u>
Cash flow used for investment activities	<u>(95 674)</u>	<u>(51 778)</u>
Financing activities		
Long-term debt issuance	60 000	42 000
Long-term debt repayment	(57 828)	(61 697)
Portion of issuance attributed to refinancing	—	(20 662)
Subsidies, contributions and other items related to investment activities	3 595	4 131
Sinking fund investment income	5 628	5 037
	<u>11 395</u>	<u>(31 191)</u>
Cash flow from (used for) financing activities	<u>11 395</u>	<u>(31 191)</u>
Decrease in cash	(14 657)	(16 858)
Cash position, beginning of year	(17 037)	(179)
Cash position, end of year	<u>(31 694)</u>	<u>(17 037)</u>

Cash consists of cash on hand, banker's acceptances, deposit certificates, restricted investments and short-term loans.



Notes to financial statements

December 31, 2001

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

The Société de transport de la Communauté urbaine de Montréal (hereafter the Société) is incorporated under the Act respecting the Communauté urbaine de Montréal and has responsibility for organizing and providing public transportation services, principally to the 28 municipalities on the territory of the island of Montreal.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

The financial statements are prepared in accordance with generally accepted principles in municipal accounting in Quebec as outlined in the Manuel de présentation de l'information financière municipale published by the Department of Municipal Affairs.

Combined financial statements

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

Accounting projections

To prepare financial statements in accordance with the generally accepted accounting principles of Canada, 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 the measures that the Société might take in the future. The actual results could differ from these projections.

Revenue and expenditures

The Société uses the accrual method of accounting under which revenue and expenditures are accounted for in the year in which the transactions or events occur. Expenditures related to employee pension plans are recorded on a cash basis.

Inventories of supplies and replacement parts

Inventories of supplies and replacement parts are valued at the lower of average cost and replacement cost.

Reserved funds

Sinking fund

This fund is used to accumulate amounts for the repayment of certain long-term debts.

Working capital

Working capital, having a fixed limit set at \$ 7,000,000, is used for the acquisition of capital assets. The amounts used have to be repaid over a maximum period of five years.

2. SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Capital assets

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

Land	40 years
Buildings	40 years
Initial system and metro extensions	40 and 100 years
Improvements to metro 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	Duration of lease
Office equipment and software	5 and 10 years
Machinery, tools and equipment	15 years

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

Deferred subsidies are amortized on the same basis as the related capital assets. Capital assets in progress are depreciated as soon as they are put in service, irrespective of the loan by-law's termination date.

Charging the provision for future amounts to financial activities

The provision for future amounts 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 said balance over a period of twenty years, or the annual expenditures.

Statement of cost for municipal services

No statement of cost for municipal services was prepared, as it would provide no additional information to the reader.

3. PASSENGER REVENUE

(in thousands of dollars)

	Budget	2001	2000
Bus and metro service	285 317	295 319	277 947
Paratransit service	1 050	1 138	926
Regional revenue ^(a)	18 201	21 808	18 083
	<u>304 568</u>	<u>318 265</u>	<u>296 956</u>

(a) Regional revenue attributable to the Société is derived from the sharing of the revenue from bus and metro tickets sold.

4. GOVERNMENT OF QUEBEC SUBSIDIES

(in thousands of dollars)

	Budget	2001	2000
Capital assets ^(a)	48 121	43 200	45 375
Paratransit service ^(b)	20 375	19 749	19 394
Other	—	989	(186)
	<u>68 496</u>	<u>63 938</u>	<u>64 583</u>

a) Public transit assistance programme:

Pursuant to the Quebec government's public transit assistance programme and special agreements, the Société is eligible to receive subsidies, at rates ranging from 50% to 75%, for admissible expenditures (purchase of buses, construction of buildings, renovation of metro stations, renovation of metro cars and other specific expenses) incurred during the year 2001.

These subsidies are paid in the form of a contribution to debt service costs or a cash payment, according to the terms of the assistance programme and special agreements.

b) Paratransit:

In accordance with the powers granted to the Transport Minister by order in council 2071-79, the Société is eligible to receive a subsidy equal to 75% of the costs incurred for the paratransit service that have been deemed eligible and pre-approved by the Transport Minister.

5. CONTRIBUTION FROM THE AGENCE MÉTROPOLITAINE DE TRANSPORT

(in thousands of dollars)

	Budget	2001	2000
For trips on the metro system ^(a)	41 600	39 047	41 800
For trips on metropolitan buses ^(a)	6 600	5 841	6 102
For equipment and infrastructure ^(b)	1 695	1 765	2 532
	<u>49 895</u>	<u>46 653</u>	<u>50 434</u>
Debt financing - commuter trains ^(c)	14 842	15 063	15 799
	<u>64 737</u>	<u>61 716</u>	<u>66 233</u>

a) Buses and metro:

The Société receives a financial contribution from the l'Agence for trips taken on the metropolitan transportation system by metro and by bus. In 2001, due to its limited financial resources, the Agence had to cap its metropolitan assistance, representing a loss of income for the Société in the order of \$ 3,500,000.

b) Regional equipment and infrastructure:

The Agence must acquire from the Société the equipment and infrastructure necessary for the metropolitan bus transportation system. As at December 31, 2001, the contract stipulating the transfer date, terms and conditions was not signed. The Société continues to be liable for servicing the debt for the financing of such property even though it will eventually be transferred. However, the Agence will refund operating costs and debt servicing costs to the Société, net of any government subsidy.

c) Commuter trains:

Since January 1, 1996, the Agence has assumed the debts and obligations of the Société with respect to the commuter train system.

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

6. CONTRIBUTION FROM THE SOCIÉTÉ DE TRANSPORT DE LA RIVE-SUD DE MONTRÉAL

Article 50 of the Act respecting l'Agence métropolitaine de transport (AMT) stipulates that the Société and the Société de transport de la Rive-Sud de Montréal (STRSM) agree to share the fixed asset and operating costs for the metro linking their respective territories. Following negotiations, the Government of Quebec adopted decree 725-99 on June 23, 1999, fixing the STRSM's share for 1997 to 2000 inclusively. As of December 31, 2001, the Société is still awaiting the signature of a new cost-sharing agreement. The contribution for the year has been increased based on the consumer price index and rises to \$ 1,844,040 (\$ 1,802,598 in 2000).

7. DEBT SERVICING AND FINANCING COSTS

(in thousands of dollars)

	Budget	2001	2000
Financing costs			
short-term	4 810	4 303	4 033
attributed to the loan by-laws	(3 310)	(2 856)	(2 337)
	<u>1 500</u>	<u>1 447</u>	<u>1 696</u>
Debt servicing - interest	<u>36 281</u>	<u>32 367</u>	<u>36 381</u>
	<u>37 781</u>	<u>33 814</u>	<u>38 077</u>

8. REPAYMENT OF LONG-TERM DEBT

(in thousands of dollars)

	Budget	2001	2000
Repayment of principal			
from financial activities	24 995	20 262	25 966
from sinking fund	—	37 566	35 731
	<u>24 995</u>	<u>57 828</u>	<u>61 697</u>

9. TRANSFER TO THE STATEMENT OF INVESTMENT ACTIVITIES

(in thousands of dollars)

	Budget	2001	2000
Specific revenue			
Contribution from the Agence métropolitaine de transport relating to renovations of metro stations	—	—	1 411
Subsidy relating to the implementation of low-floor buses	—	480	1 767
Proceeds from the disposal of a building	—	800	900
Proceeds from the disposal of buses	—	111	—
Transfer of metro assets in accordance with legal requirements	—	2 204	53
	<u>—</u>	<u>3 595</u>	<u>4 131</u>
General revenue			
Bus and metro service	2 200	2 212	4 090
Paratransit service	1 628	131	1 524
Asset maintenance	—	162	—
	<u>3 828</u>	<u>2 505</u>	<u>5 614</u>
	<u>3 828</u>	<u>6 100</u>	<u>9 745</u>

10. INCIDENTAL ACTIVITIES

(in thousands of dollars)

	2001	2000
Metro extension		
Revenue	3 992	1 211
Expenditures	(3 481)	(1 367)
	<u>511</u>	<u>(156)</u>
Other projects		
Revenue	928	823
Expenditures	(908)	(662)
	<u>20</u>	<u>161</u>
Surplus of revenues over expenditures	<u>531</u>	<u>5</u>

11. RESTRICTED INVESTMENTS

(in thousands of dollars)

	2001	2000
Cash	1 160	298
Deposit certificates, at cost	—	6 262
Debentures and bond coupons, at unamortized cost (market value \$ 93,360 \$ 75,297 in 2000)	89 183	74 839
Interest receivable	1 049	1 024
	<u>91 392</u>	<u>82 423</u>
Short-term portion	—	(29 593)
	<u>91 392</u>	<u>52 830</u>

12. GOVERNMENT OF QUEBEC SUBSIDIES RECEIVABLE

(in thousands of dollars)

	2001	2000
Capital assets	4 244	2 165
Paratransit service	6 419	6 307
Other	2 835	2 937
	<u>13 498</u>	<u>11 409</u>

13. OTHER RECEIVABLES

(in thousands of dollars)

	2001	2000
Regional revenue receivable	7 243	3 671
Occupational accident payments to recover	695	3 540
Tax claims submitted to governments	1 274	996
General accounts receivable	8 205	8 305
Deposit on purchase of buses	13 147	17 452
Other	4 422	2 527
	<u>34 986</u>	<u>36 491</u>

14. CAPITAL ASSETS

(in thousands of dollars)

	2001			2000
	Cost	Depreciation	Net Book Value	Net Book Value
Land	7 352	5 788	1 564	1 646
Buildings	143 431	56 773	86 658	86 500
Initial system and metro extensions	1 436 584	1 147 727	288 857	303 491
Improvements to metro infrastructure	186 134	33 256	152 878	149 063
Local infrastructure	11 702	1 674	10 028	10 359
Regional infrastructure	11 499	4 927	6 572	7 168
Rolling stock - buses	492 453	232 902	259 551	261 539
Rolling stock - minibuses	7 144	5 111	2 033	2 976
Rolling stock - other	25 926	14 352	11 574	12 304
Leasehold improvements	7 170	4 032	3 138	3 621
Office equipment and software	52 824	23 076	29 748	30 317
Machinery, tools and equipment	58 458	19 867	38 591	42 656
Capital assets in progress	4 763	—	4 763	530
	<u>2 445 440</u>	<u>1 549 485</u>	<u>895 955</u>	<u>912 170</u>

	2001			2000
	Opening balance	Depreciation	Closing balance	Closing balance
Deferred subsidies	<u>223 446</u>	<u>12 716</u>	<u>210 730</u>	<u>223 446</u>

Prior year adjustment on capital assets

The prior year adjustment on capital assets presented in the statement of net investment in long-term assets is comprised of fixed assets acquired during previous years which were capitalized during the year 2000, and changes in categories for certain fixed assets that modify the length of their useful life.

15. DEFERRED COSTS

During the year 2000, the Société undertook an extensive programme to renovate the installed equipment in the metro. This programme resulted in costs of approximately \$ 10,194,183, primarily for carrying out preliminary studies for the project.

These capitalizable expenses will be funded through a loan by-law and will be eligible for a subsidy from the Quebec Transport Department and the Agence métropolitaine de transport. As the Quebec Transport Minister had not authorized the subsidy as of December 31, 2001, the Department of Municipal Affairs has not yet approved the loan by-law.

16. LONG-TERM DEBT

(in thousands of dollars)

	2001	2000
Amount to be recovered for the repayment of the long-term debt (note 18)		
Government of Quebec	184 435	184 266
Agence métropolitaine de transport	37 043	48 376
	<u>221 478</u>	<u>232 642</u>
Current portion of long-term debt	(17 085)	(22 385)
	<u>204 393</u>	<u>210 257</u>

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)

	2001	2000
Trade accounts	11 858	13 519
Accrued liabilities	2 266	2 920
Salaries and employee benefits	29 750	24 505
Sickness benefits payable	10 494	11 775
Vacations payable	20 759	18 163
Holdbacks and security deposits	1 551	2 592
Accrued interest	6 517	7 214
Other	8 266	6 401
	<u>91 461</u>	<u>87 089</u>

18. LONG-TERM DEBT

(in thousands of dollars)

	2001	2000
Debentures and bank loans, at interest rates varying from 3.70% to 9.60% (5.00% to 9.60% in 2000) maturing from April 2002 to November 2011	478 402	475 570
Current installments on long-term debt	<u>(29 959)</u>	<u>(57 828)</u>
	<u>448 443</u>	<u>417 742</u>

Long-term debt is comprised of debentures and bank loans that are a direct and general obligation of the municipalities on the Société's territory. These municipalities are jointly and severally liable with the Société for payment of the principal and interest on the debentures.

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

2002	29 959
2003	55 574
2004	130 015
2005	63 272
2006	95 611
2007 and subsequent years	<u>103 971</u>
Total minimum payments	<u>478 402</u>

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

(in thousands of dollars)

	2001	2000
Amounts accumulated in the sinking fund	<u>91 392</u>	<u>82 423</u>
Amounts to be recovered for the repayment of the long-term debt		
From the municipalities on the territory of the MUC	165 532	160 505
From the Government of Quebec	184 435	184 266
From the Agence métropolitaine de transport	<u>37 043</u>	<u>48 376</u>
	<u>387 010</u>	<u>393 147</u>
	<u>478 402</u>	<u>475 570</u>

At December 31, 2001, the Société had a debt in the process of being refinanced in the amount of \$ 660,637 relative to by-law CA-78.

19. PROVISION FOR FUTURE AMOUNTS

(in thousands of dollars)

	2001	2000
Vacation benefits	15 964	16 716
Sick leaves	9 991	11 543
	<u>25 955</u>	<u>28 259</u>

The variation of \$ 2,304,000 between December 31, 2000 and December 31, 2001 has been charged to the statement of financial activities.

20. COMMITMENTS

a) Long-term leases:

The Société has entered into long-term leases expiring from February 28, 2002 to October 31, 2010 that call for lease payments of \$ 30,689,703 for office space. Minimum lease payments for the next five years are \$ 4,788,160 in 2002, \$ 4,937,011 in 2003, \$ 4,839,228 in 2004, \$ 4,765,180 in 2005 and \$ 4,342,886 in 2006.

One of the leases includes a renewal option for an additional five-year period that the Société can exercise by giving advance notice one year prior to the expiry date.

b) Outsourcing of computer centre:

The Société is committed to paying a total amount of \$ 2,317,984, \$ 2,139,678 in 2002 and \$178,306 in 2003, for the outsourcing of its computer centre.

c) Foreign currencies:

The Société has committed itself to a banking institution for the purchase in the next year of 388,440 Euros at a predetermined rate for a total cost of \$ 640,539 CAN. This agreement was negotiated to protect the Société against market currency fluctuations, given that a contract with a supplier is payable, in part, in Euros.

d) Heritage maintenance programme for installed equipment in the metro:

The Société is committed through a contract with an engineering firm for an amount of approximately \$ 21,000,000 for the years 2001 to 2005 to establish and operate a project office responsible for carrying out the heritage maintenance programme for the installed equipment in the metro. At December 31, 2001, approximately \$13,877,000 in expenditures were still to come prior to 2005.

e) Contract for supply of diesel fuel

The Société has negotiated an agreement with a financial institution in order to protect itself against market fluctuations in the price of diesel fuel until November 30, 2003. This agreement enables the Société to pay for a total quantity of 105,210,000 litres of diesel fuel at a fixed price, representing an amount of approximately \$ 28,608,703. As of December 31, 2001, there remained 98,830,000 litres of diesel fuel to be used before the end of the contract, for an approximate total of \$ 26,873,853.

21. PENSION PLANS AND PENSION OBLIGATIONS

The Société's pension plans are contributory defined benefit plans. Actuarial valuations were carried out December 31, 1998, in order to determine the present value of the benefits prorated to years of service. These valuations indicated a surplus in the order of \$ 297,243,000. Pension plan assets are based on fair value with fluctuations phased over a three-year period. As of December 31, 2001, pension plan assets and the present value of accrued pension plan benefits were not available. As an indication, these extrapolated values increased to \$ 2,442,499,000 and \$ 2,000,561,000 respectively at December 31, 2000 and do not necessarily reflect the state of the surplus in the plans at December 31, 2001, given the economic changes that took place during the years 1999, 2000 and 2001. In 2000 and 2001 no expenses were recorded in the statement of financial activities as the Société benefited from a premium holiday.

At December 31, 2001, the Société was committed in virtue of various pension agreements over and above the obligations ensuing from the above-mentioned pension plans. According to an actuarial valuation, these commitments represent a sum of \$ 4,669,200 and result primarily from a retirement compensation agreement put in place for employees of the Société whose annual remuneration exceeds the ceiling for contributions to the Pension Plan as set by the tax authorities. The Société made a provision at December 31, 2001 for these commitments that is deemed sufficient.

22. CONTINGENCIES

Amounts claimed by plaintiffs total \$ 6,570,000 (\$ 13,144,240 in 2000). These claims are comprised of class action suits, individual suits, bodily injuries, damages to equipment and other litigation. The Société made a provision at December 31, 2001 for these claims that is deemed sufficient.

23. EVENTS SUBSEQUENT TO THE DATE OF THE BALANCE SHEET

a) Adoption of Bill 24 covering public transit authorities:

On June 21, 2001, the Government of Quebec adopted Bill 24 covering public transit authorities in accordance with which the Société de transport de la Communauté urbaine de Montréal became the Société de transport de Montréal as of January 1, 2002. It remains an autonomous entity that evolves with the new city of Montreal rather than with the Montreal Urban Community whose mandate ended December 31, 2001.

b) Long-term debt

On January 9, 2002, the Société completed a debenture issue in the amount of \$ 47,130,000 to finance certain loan by-laws.

24. COMPARATIVE FIGURES

Certain figures from the 2000 financial statement have been reclassified in the presentation of the 2001 financial statements.

