

[Sept 20/60]



CIVIC AFFAIRS

A BULLETIN ISSUED BY THE BUREAU OF MUNICIPAL RESEARCH, 32 ISABELLA STREET, TORONTO 5

THE FUTURE OF THE T.T.C.

Operation of transit services under an ordinary department of the Metropolitan Municipality is advocated by the Bureau as a solution to the T.T.C.'s current difficulties. The bulletin traces the problems of Council-Commission relationships since Metro's inception and emphasizes the significance of the Council's latest want-of-confidence motion. Proposals for revamping the Commission, put forward by the Metro Chairman, the Board of Trade and the Reeve of North York are considered and rejected in favour of the more fundamental change. The bulletin stresses the close concern of the Council with transit because of its importance to the planned growth of the metropolis.

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The Immediate Problem

At the June 14th meeting of the Metropolitan Council, a minute was adopted by a vote of 19 to 1 to refer to the Executive Committee for its consideration and recommendations thereon a motion seeking the immediate resignation of the present Commissioners and including the following as part of the preamble: "and whereas this Council is of the opinion that the conduct of the Commissioners has been such as to irreparably destroy the trust and confidence of the public in the functioning of the five members of the Commission..." The only person to oppose referral of this problem in these terms to the Executive was the mover of the original resolution who favoured more summary action.

On September 13th, the Executive Committee received a memorandum on the subject from the Metropolitan Chairman and submissions from the Toronto Board of Trade and the Reeve of North York. All sought fundamental changes, either in the Constitution of the Commission, in the Commission's powers, or both.

On September 21st, the Executive Committee will give further consideration to these proposals and to other representations which may be received meanwhile.

The purpose of this bulletin is to provide a factual report on this controversial subject and to present to the Committee a proposed solution which we believe to be constructive.

The Significance of the Charge

The charge which is being levelled against the T.T.C. is that, in dealing with Commission business, the conduct of the Commissioners has been deficient and transit affairs have suffered as a result. Press, radio and television have reported on this situation at length and over many months. The evidence which they had piled up was topped early last June when the C.B.C. televised an actual Commission meeting. Revealed to all viewers was a shocking lack of harmony, decorum, and dispatch in the processing of Commission business.

One of the causes of acrimony among the Commissioners was a charge of inefficiency levelled against the T.T.C. management nearly two years ago, by one of the Commissioners. Reporting to Council the results of a meeting on the subject with the Commission, the Metro Executive Committee began its statement: "The Toronto Transit Commission has indicated that it is quite capable of and will re-establish a condition of normalcy in the activities of the Commission as a Commission and as between the Commission and the Management of the Toronto Transit Commission".

Sixteen months later, the Metropolitan Council decided that conditions were still not normal and, indeed, had further deteriorated in the interval.

Problems of transit management, financing and planning have all made headlines in recent years. But, let us be quite clear, none of these issues was brought forward as the reason for asking the Executive Committee to consider ways and means of dislodging the present Commissioners. Their deportment alone was regarded as a sufficient complaint.

Commonly, the present T.T.C. hassle is considered to date back less than two years. One suggestion has been that the trouble began when meetings of the Commission were opened to the press. In reality, the T.T.C. has created more than its share of unfavourable publicity throughout a much longer period. In 1957 and 1958, for example, controversy raged over the choice of subway routes and the citizens were treated, as the Bureau then noted, "to a display of Punch and Judy politics" which "at times reached fever pitch" and "created public exasperation."

In the current debate over T.T.C. affairs, the Commissioners have not been the only ones to indulge in intemperate or undignified conduct. But this is not the point. When our elected representatives on Metro join in unanimous condemnation of the Commissioners' conduct, it would seem that something fundamental is wrong.

Did the Councillors mean what they said? Clearly they did. As long ago as December 1, 1959, the same body agreed by a vote of 20 to 1 to ask the Province to establish beyond reasonable doubt, and with proper safeguards, their power to dismiss Commissioners in mid term. On March 22, 1960, the Council asked for a Judicial enquiry into the Commissioners'

expenses, covering the years 1954 to 1959 inclusive. Next came the June motion. In the debate, statements by Metro Councillors such as the following were accepted without challenge. No single voice was raised in the Commissioners' defence.

"The T.T.C. has ceased to function as a responsible body"

"Members have no respect for one another or for their employers."
(i.e. Metro Council)

"The Commission is bankrupt in morale, esprit de corps and discipline"

"People in responsible positions playing cops and robbers"

"No decorum at meetings"

"Hour after hour in what seem pointless arguments"

"Two Commissioners have no influence over the other three; three Commissioners have no influence over the other two"

"Survival of the fittest"

"I am amazed and disgusted at the manner in which some Commissioners at least feel they should fulfill their responsibilities"

"The present Commission with its eternal wrangling is certainly bringing Toronto into disrepute"

"Eighteen months of compromise--no improvement in eighteen months"

"No signs that we'll see restoration of normal relationships between the T.T.C. Commission and management"

"The sooner we do something to get them out the better"

"Nobody is more important than the solution of the issue. No one must be allowed to stand in the way"

A Fresh Start

At first glance, the Metropolitan Council might appear fully responsible for the present unsatisfactory Commission membership. This is not, however, entirely true. To begin with, the Council was required to accept as Commissioners three persons who had been occupying corresponding positions on the former T.T.C. By the Act of Federation, they were granted terms of five, four and three years respectively. The Metro Council was to select two persons from suburban municipalities for terms of two years and a year to serve along with them and was charged thereafter with filling one vacancy annually.

In making the subsequent appointments, Metro was free, in theory, to name any local ratepayer. In practice, the Council was more restricted:

1. The new appointee must agree to serve alongside four existing members whose appointments had not expired.
2. Reappointment of the retiring Commissioner had become a strong tradition.
3. Opposition could be expected to any attempt to alter the city-suburban balance in representation.
4. The requirement that the appointment be made by a two-thirds majority of the Councillors present and voting might be thought to assist the compromise selection over the more capable candidate.

Perhaps, therefore, the Metropolitan Council is justified in seeking new legislation which would allow it a fresh start. But the proposals which are now being advanced seek something more. They look for more fundamental changes in the way the Commission is constituted and in the powers it exercises.

Changes in the Commission Set-Up

If the answer is to continue public transit under Commission control, a variety of alternatives becomes possible. The point is well illustrated by comparing the set-up of four Commissions, present and proposed. On the following page, the legislation governing the Toronto Transit Commission is summarized alongside the more recent Hamilton legislation, the Board of Trade's proposals and the Metro Chairman's recommendations. Hamilton's rules, it should be noted, were established this spring when that City and the Province were both very much aware of the difficulties being encountered by our T.T.C. The submission by the Reeve of North York is excluded because it proposed no changes from the rules which now apply in the membership, method of appointment or dismissal of T.T.C. Commissioners.

The following brief comments are offered on the two new proposals:

1. Both favour reducing the term in office to three years, a proposal which seems reasonable to the Bureau in relation to the length of term allowed elected representatives.
2. The Metro Chairman's plan calls for a small paid body whereas the Board suggests a larger group serving for nominal fees, except for its chairman. Both types of bodies have operated successfully elsewhere.
3. The Board of Trade's proposal is that the volunteer board be chaired by a highly-paid permanent official. Presumably, he is expected both to set policy and direct administration. Even in a revenue-earning governmental enterprise, the objectives differ sufficiently from those of private business to make such delegation of policy leadership to a permanent official decidedly doubtful practice.
4. The Metro Chairman's plan would prevent an elected representative from resigning in mid term to accept a T.T.C. appointment. This being an election year, however, the entire Commission could be selected before election day from among the present Metro Council. Again, as the statement has been worded, the Metro Chairman himself (not being a member of any area Council) could at any time be appointed to the proposed Commission while continuing in his present office.
5. The Board of Trade's legal requirement that dismissals be only "for cause" would seem to render the intended power inoperative except in the most glaring circumstances.

The Commission's Powers

In Ontario, the delegation of certain municipal responsibilities to bodies other than Council is quite common. These "local boards"--to give them their legal designation--operate at arm's length from our elected representatives and enjoy varying degrees of independence from Council control. Until now, the T.T.C. has been among those boards enjoying a very great measure of freedom of action. The position has been made

HOW TRANSIT COMMISSIONS CONSTITUTED

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<u>Under Existing Ontario Legislation</u>	
<u>T. T. C.</u>	<u>Hamilton T.C.</u>

<u>Proposals Put Before Executive Comm. (13/9/60)</u>	
<u>Metro Chairman</u>	<u>Board of Trade</u>

No. of Commissioners

5

3

3

Term in Office

5 years, overlapping

3 years, concurrent

3 years, overlapping

Remuneration

Set by Metro Council
(Now: Chairman--\$15,000;
Vice-Chairman--\$9,000;
Members--\$8,000)

Not permitted

Set by Metro Council

Persons Eligible

Resident ratepayers
not on Metro or an
area Council

Residents of City or
adjacent municipal-
ities other than those
elected to City Coun-
cil during their full
term for which elected

Resident ratepayers
other than those
elected to an area
council during full
term for which they
were elected

Method of Appointment

Metro Council--by 2/3
of those present and
voting

City Council--on nomi-
nation of Board of
Control

Metro Council--by 2/3
of those present and
voting for nominees of
Executive Committee

Metro Council

Selection of Chairman and Vice-Chairman

By and from Commis-
sioners

From Commissioners by
Council--on nomination
of Board of Control
(No Vice-Chairman)

By and from Commis-
sioners

Chairman--by Metro Coun-
cil; Vice-Chairman--by
and from Commissioners

Term for Chairman and Vice-Chairman

During pleasure

During pleasure

During pleasure

Means of Removing Member (incl. Chairman)

Not covered--powers of
Metro Council under
Interpretation Act in
doubt

By 2/3 of Council--on
recommendation from
Executive Committee

Asks for procedure per-
mitting removal for
cause; suggests requir-
ing 3/4 of full Council
to implement

During Term

Vote of Metro Council

Means of Demoting Chairman During Term

Vote of Commissioners

Vote of Commissioners

By 2/3 of Council--on
recommendation from
Board of Control

possible by a grant of monopoly rights in the field of public transit including the opportunity to set fares at levels which will make the Commission's operations self-sustaining.

As with other such bodies, the T.T.C. has been required to obtain approval for capital borrowing from the municipal Council which undertakes the borrowing on its behalf. And Metro is free to accept, reject or modify the T.T.C.'s requisitions for capital funds. On the other hand, any year-end surpluses which the T.T.C. is able to achieve are retained under its control and become available for capital improvements to the system.

Under the Municipality of Metropolitan Toronto Act, the T.T.C. must ask the Metropolitan Council to expropriate land for it where such is deemed desirable. Again, "immediately after the close of each calendar year, the Commission shall prepare, deliver to the Metropolitan Council, and publish" audited financial statements and a general report of its operations for that calendar year.

Speaking generally, the restrictions on T.T.C. independence outlined above represent the minimum controls applicable to "local boards".

The T.T.C. report on operations and its audited financial statements are customarily issued as a combined report. The 1959 report appeared just after Labour Day--much too late, we suggest, for the Councillors to reap the maximum benefit from it. In the Hamilton legislation, the yearly report on operations is to be presented in a form approved by the Council before February 28th. If the Toronto Commission is continued, a similar change might well be adopted or, better still, quarterly reporting might be required.

Under the Municipal Act (Section 245), the municipal auditor is expected also to audit the books of all "local boards". In compliance with this provision, the Metropolitan Auditor has carried out audits of the Commission's books and reported accordingly to the Corporation. The T.T.C. also hires an outside firm of auditors and this fact probably influenced the Metro auditor to seek and obtain Provincial approval five years ago to substitute a test audit for the full audit. The Metropolitan Auditor has not, it should be noted, considered it necessary or advisable in the course of his work to draw particular attention to the expense accounts of the Commissioners.

The T.T.C. is required under the Metropolitan Act to make its services self-sustaining, including provision for maintenance, renewals, debt charges and so forth. This has been the price of its substantial freedom.

In actual practice, a self-sustaining position was not fully maintained throughout the first six years of the Transit Commission's life. In relation to accounting procedures which appear to be conservative --and wisely so--the T.T.C. incurred substantial deficits on current account in the first two years and a much smaller deficit in 1959. The earlier deficits, which were attributed to non-recurring costs of the transition period, were partially offset by a municipal grant of \$2,300,000 authorized by an amendment to the Metropolitan Act. The 1959 deficit was not too significant, amounting to little more than $\frac{1}{4}$ of 1 per cent of operating revenues. A subsequent increase in fares, effective May 1, 1960,

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may have restored the T.T.C. to a profit position. With the help of the Metro grant, the T.T.C. chalked up an operating profit in its first six years of \$1,587,000; without this payment it was short \$713,000.

What the T.T.C. has clearly been unable to do is to undertake the mammoth capital burden of new subway construction while maintaining its fare structure at any reasonable level. In the absence of provincial subsidies, the taxpayers have felt it necessary to underwrite a little over half the cost of the east-west subway from tax funds.

An increasingly strong case can be made for provincial subsidization of rapid transit construction. Had assistance been available comparable to the Metropolitan road grants, the T.T.C. could probably have proceeded without subsidy from local taxation. The Reeve of North York makes a plea for such assistance in his submission.

Curbing the Commission's Powers

The new proposals relating to appointment, term of office and dismissal of T.T.C. Commissioners would in themselves give Metropolitan Council some additional control over the Commission. Two of the proposals which are now before the Executive Committee would go further and allow Metropolitan Council some degree of supervision of actual operations, including finance and planning. By contrast, the Metro Chairman's proposal would remove the requirement that the T.T.C. be self-sustaining and put nothing formal in its place--other than to give the Metropolitan Auditor full access to the Commission's accounts and records on the Council's behalf and to give the Council power to require financial reports from the Auditor accordingly.

The Board of Trade and, likewise, the Reeve of North York would clip the Commission's wings. The Metro Chairman's plan would rely upon informal co-operation and negotiation or, co-operation forced by the fear of dismissal.

The Problem of Arm's Length Control

Transit operations must surely be accepted as a public service forming part of local government. Regardless of who runs it, an important objective is to give reasonable satisfaction to those who use and pay for the services--the streetcar, bus and subway riders. Yet the prime responsibility of the policy-makers for transit as for any other municipal service is, we maintain, to the local electorate and taxpayers. This is true whether the services are subsidized or not; for the Municipal Corporation is the sponsor of the service and can only be expected to continue in this role while it is in its interests to do so. Under Metro, our elected representatives appoint the Commissioners to act in their stead under rules which are intended to ensure that these very interests will predominate.

As the Bureau sees it, the legitimate argument in favour of putting transit or any other public service under a "local board" is to relieve elected representatives of day-to-day policy decisions and broad supervision of administration on behalf of the electorate. Provided our elected representatives can work harmoniously with the local boards they appoint and sufficiently closely to suit the circumstances, the arrangement is entirely satisfactory.

One of the common fallacies of government as practiced in North America is the belief that an acceptable financial result is the sole important test required of a public utility's effectiveness. Occupying in most cases a monopoly position it is hard to determine the operating targets such utilities should set for themselves (year-end profit or loss) and what rates ought to be sufficient to achieve it. As one illustration, municipal utilities in a number of western Canadian cities are expected to make a handsome profit and to turn over the money to relieve the property taxpayer of part of his burden.

The competition of the automobile is making it difficult for transit utilities everywhere to operate in the black while maintaining fares which attract volume traffic. Encouraged by provincial subsidies, our expressway programme is moving rapidly ahead and accentuating the problem.

If the requirement that the T.T.C. be self-sustaining constituted a sufficient control in the past, it would take little imagination to devise a modified form of control to suit its altered financial circumstances. For example, the Act could read: Subject to a five per cent subsidy from local taxation, the T.T.C. shall be self-sustaining.

The Bureau's Approach

The direction of public transit services represents a more important component of municipal services in Metropolitan Toronto than in most municipalities. In 1953, the Metropolitan Federation was created to plan, promote and direct, from a municipal point of view, the growth of the expanding metropolis. In line with this objective, the transit services had to be basically reconstituted and reshaped to fit the broader objective.

The Act of Federation failed to recognize the close concern of our elected representatives with the development and maintenance of appropriate transit policies. Initially, the Act gave them the right to appoint two men to a five-man Commission and, thereafter, cast Council members in the role of observers where they might better have been made active participants. It is not entirely surprising therefore that a breakdown in relations has occurred.

As noted earlier, the competence of top management in the Commission has been questioned. Historically, the Chairman of the former City Commission pre-empted a part of that responsibility--and it appeared to work. Yet as a pattern it is dangerous and cannot be supported. If more money is needed to secure thoroughly competent management, \$48,000 of Commissioners' salaries could be directed to that purpose by making the T.T.C. a department of Metro.

If transit services were to be placed under a regular municipal department, the present Commission would be dissolved. The general manager would become a department head, corresponding to the heads of other operating departments--roads, parks, etc. The policy-making and supervisory powers now exercised by the T.T.C. Commissioners would pass to the Metropolitan Council.

It could be argued that the Metropolitan Councillors are much too busy to serve as the governing body for the T.T.C. Except for the Metro Chairman, all are members of local area Councils. Thirteen of the members are the heads of such Councils. But this dual membership is a separate problem. The truth of it is that the conscientious Metropolitan Councillor has been forced to devote much time to T.T.C. problems under the existing set-up and he will have to go on doing so for some considerable time in order to safeguard the people's interests.

As the Bureau sees it, transit services can be operated eventually as a smoothly-running civic department. Meanwhile, direct control through Council and its regular committee system offers the best hope of clearing up the current difficulties to the public's satisfaction.

The Bureau recommends:

1. that the T.T.C. be made a department of Metro responsible to Council in the normal manner;
2. that a Standing Committee of Council be established in due course to process transit business;
3. that provision be made for adding a minority of co-opted members to the Standing Committee with or without voting powers;
4. that, for the first year, the Executive Committee serve itself as the Standing Committee on transit;
5. that amendments be made to the Municipality of Metropolitan Toronto Act to prevent the members of Council from raiding transit revenues for other purposes and to ensure that the transit department retains and accumulates sufficient capital assets under its control to strengthen and stabilize its operations.

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September 20, 1960

As the Bureau sees it, transit services can be operated eventually as a smoothly-running civic department. Meanwhile, direct control through Council and its various committees offers the hope of clearing up

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