

CTRF

Transportation Information Update

May 2004

Editor: Joseph Monteiro*

The Transport Minister spoke to the Canadian Border Trade Alliance about four pillars of Transportation Policy

The Transport Minister spoke to the Canadian Border Trade Alliance on May 3, 2004. He thanked the Alliance team for their work done to elevate border issues to the top of the policy agenda. He said that Canada's transportation policy must rely on four pillars: 1) a market-driven policy framework; 2) a multimodal infrastructure strategy; 3) an efficient and secure trade corridor policy; and 4) R&D to support transportation innovation.

In the air sector, he indicated the need to focus policy on providing more choices to travellers, shippers and other users while ensuring the industry remains financially viable. In the marine sector, he indicated the need for greater flexibility and more economic opportunities - mechanisms to raise capital, investments in multimodal projects, etc. In the multimodal sector, he provided the initiatives the government has taken to strengthen the North American trade corridors to make them more secure and efficient. In all sectors, R&D is aimed to make Canada's transportation system more productive and competitive, and exportable.

Canada Amends Computer Reservation System Rules to Promote Increased Competition in the Market

Canada has amended the Computer Reservations System (CRSs) Rules to promote increased competition in the market. The following requirements have been removed: the obligated carrier provision by an airline which imposes participation in all computer reservation systems if it has an ownership in a CRS or if it has a domestic market share of more than 10 percent; the limitation on the ability of airlines and CRSs to freely negotiate fees; and the limitation on travel agents and CRSs to freely negotiate contract terms. However, the requirements that CRSs be operated in a comprehensive, unbiased and neutral manner will be maintained so as not to unfairly disadvantage individual airlines.

Marine Security Contribution Program

Current Developments in Brief

1. The Transport Minister spoke to the Canadian Border Trade Alliance about four pillars of Transportation Policy (*Transportation and Logistics*, May 6, 2004).
2. Canada Amends Computer Reservation System Rules to Promote Increased Competition in the Market (See *Canada Gazette*, Part II May 7, 2004).
3. The Marine Security Contribution Program is established (Transport Canada - News Release, May 7, 2004)
4. Open Skies Development
Talks between US and EU - The Fifth round of Negotiations took place (See *Financial Post*, Monday May 11, 2004, p. FP 16)
CEO's Urge Ottawa to Open Domestic Skies (See *Financial Post*, Monday May 10, 2004, p. FP 1).
5. Nav Canada proposes to increase user fees next year by an average 8% (See *Financial Post*, Thursday May 13, 2004, p. FP 1).
6. Canada's Air Travel Complaints Commissioner Releases Report (Ottawa, May 12, 2004).
7. Marine Transportation Security Regulations are strengthened (Transport Canada - News Release May 21, 2004. *Canada Gazette*, Part II June 2, 2004).
8. OECD Report on Container Transport Security Across Modes (Executive Summary and Conclusions (OECD web, May 27, 2004)
9. Other Security Funding Projects Announced in May
10. Other Safety Funding Projects Announced in May
11. Other Environmental Projects Announced in May
12. Other infrastructure Projects Announced in May

On May 7, 2004, the Government announced the setting up of the Marine Security Contribution Program to assist Canada's ports with the cost of modernizing and strengthening their security systems and programs. The program is a three-year commitment of \$115 million. It forms part of the Government of Canada's six point National Security Policy (i.e., clarifying and strengthening accountability; establishing Marine security operations; increasing surveillance activities; enhancing civilian and naval fleet communications; pursuing greater marine security co-operation with the US; and strengthening the security of marine ports and facilities) announced on April 27, 2004. To implement the six-point plan, the government will invest \$308 million from the security reserve set aside in Budget 2004.

Open Skies Developments

US- EU Aviation Talks

In May 2003, the European Union governments agreed to give the EU Commission power to negotiate an aviation accord with the United States. This led to the start of Open Sky Aviation talks between the US and EU negotiators. In the past, each Member State negotiated independent bilaterals with the United States. Until the beginning of May 2004, the negotiations have focussed on matters such as: whether to take a staged approach to liberalization or to hold for a more substantial agreement; and what issues should be included in the agreement. Besides restriction of traffic rights, the negotiations are expected to deal with other issues such as: greater access to the US market or cabotage rights, lifting the restrictions that bar US airlines from being more than 25% foreign owned; code-sharing between US and European airlines; leasing of planes and crew; and cargo liberalization. In the week of May 10, negotiators continued their aviation talks (fifth round) on how to introduce air liberalization goals. The latest news release indicates that the fifth round has failed to secure a major breakthrough, though Washington is expected to provide limited access for European airlines to the US domestic market.

So far, the two sides have agreed on many of the issues indicated above and that speed is the essence of these talks. Last year, the Bush Administration proposed raising the foreign ownership limits to 49% of voting stock from 25% (a proposal that did not win Congressional approval but is being considered again with the potential for further increases). The EU however, did not accept this offer of increased ownership limits unless it included greater market access, as EU's current regime already permits 49% of airline ownership. These developments are likely to have a significant impact on Canada due to the trans Atlantic traffic it expects to generate from the US market, the cheaper flights that would be available, diversion, possible trade deficits due to circuitous flying and impact on Canadian airlines.

Canada -U.S. Open Skies

Other Developments of Interest

1. Real GDP grew 0.6% in the first quarter of 2004.
2. OPEC will likely approve a plan to boost oil output.
3. BC mining sector poised for a boom.
4. The Federal Government is reviewing proposals for fuel efficient cars.
5. Airport movement statistics indicate a decrease (0.6%) in take-off and landings in April 2004 compared to April 2003.
6. US Transportation Secretary Norman Mineta sends passenger Rail Reform Bill to Congress.
7. US Computer Reservations System Regulations being amended.
8. US Secretary Discusses Best Practices in Safety and Security with ABF® Officials.
9. US Releases Air Carrier Payments.
10. US. Releases Air Travel Consumer Report.

For further information on US see www.dot.gov

Conferences

1. Transportation Lawyers Association 2004 Annual Conference June 1-5, Palm Beach Florida.
2. BC Trucking Association AGM & Management Conference June 4-6 Harrison Hot Springs British Columbia
3. Private motor Truck Council Annual General Meeting and Conference June 17-June 18, Niagara-on-the Lake, Ontario
4. Reverse Logistics Conference & Expo June 29-30, Amsterdam, Netherlands
5. The 23rd Annual South African Transport Conference, July 12-15, Pretoria, South Africa
6. Association of Canadian Port Authorities AGM and Conference for 2004, July 31-August 4, St. Johns, Newfoundland.

For further information see www.ctl.ca

In January 2004, Tony Valeri the new federal Transport Minister indicated that examining the potential for open skies is a priority for him in an overall review of government policy. The Minister's views gained increasing acceptance with the speech by the President of the Canadian Chamber of Commerce in late January indicating that Ottawa should 'vigorously pursue' providing each country with cabotage rights. This was recently (May 10) followed by a poll of Canada's business leaders which indicated that foreign airlines should be allowed to provide air passenger service between Canadian points. Canadian CEO's want free market for the skies and a level playing field. The polls indicated that CEO's were also opposed to changing the pension laws to give Air Canada ten years (from the present five years) to pay-off its \$1.2 billion pension shortfall. The polls also indicated that the *Air Canada Act* should be changed as it imposes a social obligation (i.e., compliance with the *Official Languages Act*; and the requirement to have three maintenance bases - Montreal, Mississauga, and Winnipeg) on Air Canada which places it at a competitive disadvantage.

Nav Canada

Nav Canada, the monopoly provider of air traffic control services, proposes to increase user fees by 7.9% effective August 1, 2004. Without the increase, Nav Canada indicates that it would face a shortfall of \$82 million for the 2004-5 fiscal year. This means that air fares for consumers are likely to be higher. The latest proposed increase would be largest of the three increases in two years. Nav Canada attributes the raised fees to proposed changes to US legislation which will prohibit leaseback transactions an important source of revenue (\$56 million) for Nav Canada. Air Canada is opposed to the increase as it would add \$24 million to its operating costs for the fiscal year 2005.

Canada's Air Travel Complaints Commissioner Releases Report Canada's Air Travel Complaints Commissioner (Liette Lacroix Kenniff) released a Report on May 12. This report makes key recommendations to air carriers and the travel industry to enhance the protection of consumers' interest. The Commissioner is calling for the travel industry to ensure the protection of customer's pre-payment in situations where an airline fails. She indicated the risk of airline failure should not rest entirely on consumers. She indicated that the first half of 2003 resulted in reduced passenger volumes and a decrease in complaints. The 603 complaints raised 1,197 issues, a ten percent increase over the a six moth period. The Air Travel Complaints Program has received more than 6, 250 complaints, involving more than 13,500 issues from July 5, 2000 to June 30, 2003.

Marine Transportation Security Regulations

The Marine Transportation Security Regulations have strengthened its requirements for vessels, marine facilities and ports to meet the International Maritime Organization's (IMO) July 1, 2004 deadline for implementation of the International Ship and Port Facility Security (ISPS) Code requirements. It is implementing the Security Code which apply to commercial vessels of 500 tons or more or carrying 12 passengers or more and travelling between countries, marine facilities and port. The regulations require the completion of security assessments and security plans, and the designation of security officers. The regulations go beyond the IMO requirements applying: to cargo vessels of 100 tons or more (excluding towing vessels); to towing vessels that tow barges carrying dangerous cargoes; and to marine facilities and ports that serve the above vessels.

Report on Container Transport Security Across Modes (OECD)

Transport Authorities face the threat of the possible misuse of the maritime shipping containers by terrorists besides other security challenges. The OECD has issued an executive summary and

conclusions on this subject. It covers the following: the need for Transport Authorities to address weak links of the container chain; the need for more specific threat assessments involving Transport Authorities; the adaptation of security measures to the threat; the policy levers at the disposal of the Transport Authorities; the guiding principles to secure the container transport chain; and the specific recommendations to Inland Transport and Maritime Authorities.

Other Security Funding Projects Announced in May

A three year commitment of \$115 million (May 7, 2004). This has been indicated in 3.

Other Safety Funding Projects Announced in May

A. *Public Safety Act* receives Royal Assent (May 6, 2004)

Other Environmental Projects Announced in May

A. Freight sustainable projects announced with funding of \$4.5 million over 5 years (May 20, 2004).

B. Moving on Sustainable Transportation Projects gets \$266, 330 for eight projects for 2004 (May 21, 2004).

Other infrastructure Projects Announced in May

A. Joint investments to tackle congestion at Canada-US border - Funding agreements set to improve highways and bridges in Niagara, Sarnia and London (May 6, 2004).

B. More Tracks, trains and seats for commuters due to a funding agreement of GO Transit (May 7, 2004).

C. Funding of \$150 million investment boosts rapid transit expansion in York Region (May 7, 2004).

D. Support for Ottawa public transit - \$600 million investment in Light Rail Transit (May 14, 2004).

E. \$154 million for Infrastructure in New Brunswick (May 20, 2004).

F. Joint Funding Agreement of \$40 million to improve highways in Northwest Territories announced (May 20, 2004).

G. Regional and Remote Railways to get Funding of \$24.4 million (May 21, 2004).

H. Agreement to fund work (\$21 million) for the completion of Autoroute 30 (May 21, 2004).

Other News

1. Jan Bowland,
VP Treasurer,
CTRF passes
away.

2. Transportation
Organization
(WTS) names
Mary Peters
woman of the
Year.

* Please forward any news of interest to the Editor for inclusion in the Update.