

# Transportation Information Update\*

Editor: Joseph Monteiro\*\*

November 2005, No. 15

Associate Editor: Gerald Robertson\*\*

## AIR TRANSPORTATION

### 1. Air Canada union leaders oppose special cash distribution to shareholders

Two union leaders representing Air Canada's flight attendants and the bulk of its ground crew said they will fight a \$300 million special cash distribution to shareholders planned by Air Canada. They indicated that they are outraged that a cash settlement is being contemplated given the airline's underfunded pension plan.

### 2. Air Canada welcomes addition of ten new gates at Toronto Pearson Airport; moves prime international flights to Terminal 1

Air Canada indicated on November 1, 2005 that it welcomes the addition of ten new aircraft gates at Toronto's Pearson Airport. The addition of these gates will allow Air Canada to operate all its international flights from Terminal 1 Pier E, eliminating ground transportation to and from the airport's Infield Terminal. This will allow Air Canada to provide a more seamless travel experience for its international customers. In 2007, Air Canada's transborder flights will move to Terminal 1 at Pier F.

### 3. Air Canada says arbitrator's decision clears way for new talks with Boeing

Arbitrator, Martin Teplitsky, has come down with his binding decision between Air Canada and its pilot union. This will clear the way for Air Canada to place firm orders for new Boeing 787 Dreamliners with Boeing as part of its strategic plan to renew Air Canada's fleet. Earlier in the year, Air Canada had planned to purchase these new aircraft from Boeing but its plan was halted due to its failure to obtain a labour agreement with its pilots. The arbitrator will now examine the question of seniority which has split the Canada Pilots Association union.

### 4. Air Canada to renegotiate scrapped deal to buy \$6-billion worth of Boeing jets

Air Canada indicated that its plan to purchase \$6 billion worth of new aircraft from Boeing Co. is going ahead following the decision of the arbitrator on November 1, 2005.

### 5. Air Canada to get Boeings

Air Canada and Boeing Co. have now devised a new schedule aimed for first delivery of Boeings in 2007 an industry source indicated after three schedules for delivery were cancelled in 2006. Air Canada indicated that a binding decision by the arbitrator clears the way for new talks to reorder up to 32 new jets from Boeing Co.

### 6. Westjet simplifies travel experience for web check-in guests: airline provides baggage drop counters at all Canadian airport

Westjet announced that it is making web check-in even easier for guests with the expansion of its baggage drop counters to all of its Canadian airports. These counters were available only at selected domestic airports served by Westjet.

### 7. IATA e-freight to take the paper out of Air Cargo by 2010

IATA has started the IATA e-freight project. IATA's target is for a paperless cargo processing system by 2010, saving US\$1.2 billion and reducing shipping times up to 25%. This was the theme of the presentation by IATA's Director General and CEO at the air transport industry's first global conference. The Director General indicated that we have an opportunity to create a harmonized system that reduces costs, facilitates global trade, improves security and helps our customers with a more user-friendly product, simply by using existing technology more effectively. The e-freight was one of the five simplifying projects initiated by IATA in 2004. The other four are:

## Current Developments in Brief

### Air Transportation

#### CANADA

1. Air Canada union leaders oppose special cash distribution to shareholders, November 1, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)
2. Air Canada welcomes addition of ten new gates at Toronto Pearson Airport; moves prime international flights to Terminal 1, Nov. 1, 2005, [www.aircanada.ca](http://www.aircanada.ca)
3. Air Canada says arbitrator's decision clears way for new talks with Boeing, November 2, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)
4. Air Canada to renegotiate scrapped deal to buy \$6-billion worth of Boeing jets, *National Post*, November 2, 2005, p. FP4.
5. Air Canada to get Boeings, *Globe and Mail*, November 2, 2005, p. B3.
6. Westjet simplifies travel experience for web check-in guests: airline provides baggage drop counters at all Canadian airport, Nov. 1, 2005, [www.westjet.ca](http://www.westjet.ca)
7. IATA e-freight to take the paper out of Air Cargo by 2010, Nov. 1, 2005, [www.iata.ca](http://www.iata.ca)
8. Westjet Announces Schedule Enhancements for 2006, Nov. 2, 2005, [www.westjet.ca](http://www.westjet.ca)
9. Air Canada scraps free meals, November 3, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)
10. ACE Aviation Holdings Inc. reports third quarter operating income of \$320 million and net income of \$270 million, November 3, 2005, [www.aircanada.ca](http://www.aircanada.ca)
11. Air Canada reports nineteenth consecutive month of record load factors for October on 4.7% capacity growth, November 3, 2005, [www.aircanada.ca](http://www.aircanada.ca)
12. WestJet announces third quarter results: net earnings increase 43%, November 3, 2005, [www.westjet.ca](http://www.westjet.ca)
13. WestJet to rejig fare structures, *National Post*, November 4, 2005.
14. WestJet targets rival's fewer frills, *Globe and Mail*, November 4, 2005, p. B5.
15. Air Canada concludes agreement for Boeing 777s and 787 Dreamliners, Nov. 9, 2005, [www.aircanada.ca](http://www.aircanada.ca)
16. Pearson airport fees decry by Milton, *Globe and Mail*, Nov. 10, 2005, p. B5.
17. Preserve the Monopolists or Join a Changing Industry? Transparency is Critical to the Airport Airline Relationship, Nov. 11, 2005, [www.iata.org](http://www.iata.org)
18. Canada, U.S. extend high-level talks on air travel, Nov. 10, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)
19. Canada, U.S. expand 'open skies' pact, Nov. 11, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)
20. Flying the "Open Skies", Nov. 11, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

\* The CTRF is not responsible for the information provided in this Update.

\*\* The information provided is from the Authors and neither the Competition Bureau or Industry Canada is responsible for it.

100% electronic ticketing; common use self-service kiosks for check-in, bar coded boarding passes and radio frequency identification of baggage management.

#### **8. Westjet Announces Schedule Enhancements for 2006**

On November 2, 2005, Westjet announced new non-stop routes beginning January 6, 2006 between: Calgary and Fort McMurray (5 per week); Vancouver and Las Vegas (3 per week); Hamilton and Orlando (1 per week); and Winnipeg and Orlando (5 per week). It will also increase the number of non-stop departures between Toronto and Orlando (2 per day); Calgary and Phoenix (1 per day) and Calgary and Palm Springs (4 per day).

#### **9. Air Canada scraps free meals**

Air Canada has stopped providing complimentary meals on its long-haul flights within Canada and the continental United States. Instead Air Canada will be selling a selection of snacks and sandwiches.

#### **10. ACE Aviation Holdings Inc. reports third quarter operating income of \$320 million and net income of \$270 million**

ACE Aviation Holdings Inc. released its third quarter results for 2005. The highlights were: net income of \$270 million; operating income of \$320 million; operating income improvement by \$77 million despite a fuel expense increase of \$243 million; operating revenues increase to \$337 million or 14 percent; and excluding fuel expense unit cost was reduced by 3 per cent. In addition, its system load factor was up by 2 percentage points to 82.4 percent, a record for any quarter in the company's history. The company claimed to be the most profitable carrier in North America for the third quarter of 2005.

#### **11. Air Canada reports nineteenth consecutive month of record load factors for October on 4.7% capacity growth**

Air Canada reports that it has had the highest system passenger and domestic passenger load factors for October 2005 compared to a year ago. The system passenger load factor in October 2005 was 77.9% this represents a 1.2% increase compared to October 2004 and the domestic load factor was 81.6%, this represents a 1.5% increase compared to October 2004. Capacity increased by 4.7% for October 2005 compared to a year earlier.

#### **12. WestJet announces third quarter results: net earnings increase 43%**

WestJet announced its third quarter results for 2005 on November 3, 2005. The highlights for this quarter were: operating revenue increased by 30.9% to \$406.1 million; net earnings were up 43.6% to \$30.3 million; earning per share were 23-cents compared to 17-cents for the second quarter; capacity as measured by available seat miles grew by 17% to 2.82 billion; revenue passenger miles increased 20% to 2.22 billion; and load factor was 78.6% compared to 76.6% in the third quarter of 2004.

#### **13. WestJet to rejig fare structures**

WestJet is planning to follow Air Canada by introducing a system of air fares that encourages passengers to pay more for upgrading their tickets. This will be made possible by the introduction of a new reservation system at WestJet. Their existing system only allows them to display one fare. The new system will also allow it to partner with other airlines. It will also allow Westjet to join an international alliance.

#### **14. WestJet targets rival's fewer frills**

Chief Executive Officer of WestJet said that it hopes to capitalize on Air Canada's shift away from being a full-service carrier. He indicated that Air Canada's move to discontinue services such as hot meals brings it closer to the no frills service of WestJet and the decrease in product differentiation should attract some of Air Canada's passengers. WestJet also indicated that it is adding to its range of services - booking hotel rooms and car rentals and in-flight movies - to lure passengers.

#### **15. Air Canada concludes agreement for Boeing 777s and 787 Dreamliners**

The parent of Air Canada announced on November 9, 2005 that it has concluded an agreement with the Boeing Company for the acquisition of 36 Boeing 777s

(18 firm orders plus purchase rights for 18) and up to 60 Boeing 787 Dreamliners. The 787 Dreamliner is being

21. United States, Canada Reach Open-Skies Aviation Agreement, Nov. 11, 2005, [www.dot.gov](http://www.dot.gov)

22. Air Canada welcomes successful conclusion of Canada-U.S. Open Skies Agreement, Nov. 11, '05, [www.aircanada.ca](http://www.aircanada.ca)

23. WestJet Reacts to New Open Skies Treaty, Nov. 11, 2005, [www.westjet.ca](http://www.westjet.ca)

24. Canadian Airports welcome open skies agreement, Nov. 11, 2005, [www.cacairports.ca](http://www.cacairports.ca)

25. Canada's closing sky, *Financial Post*, Nov. 14, 2005, p. FP3.

26. Toronto Airport to raise fees, *National Post*, Nov. 15, 2005, p. FP1.

27. Air Canada offers buy-in-bulk savings of up to 70 per cent with new flight passes for leisure travellers, 11/15/05 [www.aircanada.ca](http://www.aircanada.ca)

28. Toronto airport landing fees to rise 6.9%, *Globe and Mail*, Nov. 16, 2005, p. B8.

29. Pearson Airport Fee increase proves rent problem not fixed, Nov. 17, 2005, [www.atac.ca](http://www.atac.ca)

30. Crown rent policy madness, further damages Canada's competitiveness, Nov. 16, 2005, [www.iata.org](http://www.iata.org)

31. Pearson may get \$5 billion break, *National Post*, Nov. 17, 2005, p. B7.

32. Aircraft Movement Statistics, Small airports July 2005, [www.statcan.ca](http://www.statcan.ca)

33. Aircraft Movement Statistic, *The Daily*, October 2005, [www.statcan.ca](http://www.statcan.ca)

34. SESAR - A Giant Step Towards Single European Sky, Nov. 18, 2005, [www.iata.org](http://www.iata.org)

35. US, EU strike comprehensive deal to open airline competition, November 21, 2005, [www.americanshipper.com](http://www.americanshipper.com)

36. Statement by US Transportation Secretary Norman Y. Mineta on US-EU Aviation Talks, Nov. 18, 2005, [www.dot.gov](http://www.dot.gov)

37. New regulations for business aircraft group, November 22, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

38. Canada and Algeria in discussions to introduce air service between both countries, Nov. 23, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

39. Transport Minister announces Advisory Panel and review of the Canadian Air Transport Security Authority Act, Nov. 23, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

40. Air Canada to launch daily non-stop service between Montreal and Mexico City, Nov. 22, 2005, [www.aircanada.ca](http://www.aircanada.ca)

41. ACE to pull trigger on Jazz trust, *Globe and Mail*, Nov. 28, 2005, ppB1-B2.

42. ACE Aviation Holdings Inc. announces the creation of Jazz Air Income Fund, Nov. 28, 2005, [www.aircanada.ca](http://www.aircanada.ca)

43. No short term rent break for Pearson Airport, *Globe and Mail*, Nov. 29, 2005.

44. Government of Canada flip-flops at Toronto's expense, Nov. 28, 2005, [www.atac.ca](http://www.atac.ca)

#### **US/EU**

1. Freight weakness continues as passenger traffic rebounds, October 31, 2005, [www.iata.org](http://www.iata.org)

2. IATA e-freight - from words to action, November 1, 2005, [www.iata.org](http://www.iata.org)

3. John F. Kennedy International Airport was top international freight gateway by value in 2004, according to Bureau of Transportation Statistics, Nov. 28, 2005, [www.dot.gov](http://www.dot.gov)

designed with airlines passengers and investors in mind. It will use 20 percent less fuel than today's airplanes of comparable sizes and provide up to 45 percent more cargo revenue capacity.

#### **16. Pearson airport fees decried by Milton**

Air Canada chairman, Robert Milton, is warning that high landing fees charged by Toronto's Pearson International Airport threatens to scare away valuable business. He said that Toronto has now become the world's most expensive airport in the world after fees at Tokyo's Narita airport were recently reduced by 10%. Though Ottawa announced plans to slash the ground rent it falls short of what is required to allow Pearson to cut its landing fees.

#### **17. Preserve the Monopolists or Join a Changing Industry? Transparency is Critical to the Airport Airline Relationship**

The Director General and CEO of the International Air Transport Association called on airports to achieve greater transparency in their relationships with airlines. He indicated that the Airports Council International (ACI) has failed to lead its members towards efficiency and that the air transport industry can no longer afford archaic airport business models that take advantage of monopoly positions to hide inefficiency and rake in profits. He called on the ACI to accept IATA's request to transparently benchmark efficiencies. This all came about in response to a recommendation of ACI that its memberships stop negotiating airport charges with IATA.

#### **18. Canada, U.S. extend high-level talks on air travel**

The two days of high level talks were expected to end on Wednesday, however they are being prolonged. Negotiators have been discussing changes to allow a flight originating in one country to pick up passengers and cargo in the other country and fly on to a third. Also being discussed is a plan to allow cargo carriers to drop off packages in two cities across the border, instead of just one allowed. But it appears that there is very little desire for providing each other with cabotage rights or changing foreign ownership restrictions.

#### **19. Canada, US. expand 'open skies' pact**

The new agreement gives Canadian passenger and cargo carriers greater access to the U.S. market and will allow use of that market as a platform to provide transport to other countries. It also provides more flexibility in pricing for carriers from both Canada and the US and makes it easier for Canadian airports to attract US carriers. The agreement's biggest change will involve liberalizing Canadian air carrier access to United States' and third country markets and vice versa. *The Globe and Mail* indicated that Friday's deal marks the first big step toward a more continental approach to the aviation industry since the 1995 Agreement.

#### **20. Flying the "Open Skies"**

On November 11, 2005, Transport Minister and International Trade Minister announced that the governments of Canada and the United States have negotiated an Open Skies air transport agreement. Transport Minister said "This further liberalization of the Canada-US air transport relationship will allow airlines of both countries to better meet the needs of travellers and shippers. It is my hope that this agreement will encourage the development of new markets, new services, lower prices and greater competition." Under the amended agreement, air carriers of both countries will be able to: "• pick up passenger and/or all-cargo traffic in the other partner's territory and carry it to a third country as part of a service to or from their home territory; • operate stand-alone all-cargo services between the other partner's territory and third countries; and • offer the lowest prices for services between the other partner's territory and a third country."

#### **21. United States, Canada Reach Open-Skies Aviation Agreement**

US Transportation Secretary Norman Y. Mineta said "With this agreement, we will fully open the skies between the United States and our largest aviation partner, completing the liberalization efforts first initiated by an agreement ten years ago. Open Skies between the United States and Canada will mean better service at lower prices for the passengers and shippers of both countries." The earlier agreement fell short of a full Open Skies agreement in that it provided virtually no rights for airlines to fly beyond the other country and severely limited express cargo services. These restrictions are removed in the new agreement. The agreement will take effect in September 2006.

#### **22. Air Canada welcomes successful conclusion of Canada-U.S. Open Skies Agreement**

Robert Milton said "We are pleased negotiations involving Canada and the U.S. on this important aviation agreement have resulted in such a successful conclusion. ... this revitalized agreement allows us to enhance and capitalize on our cooperative arrangements with our Star Alliance partners, particularly on the transatlantic and transpacific markets. ... It will contribute substantial benefits to the long-term health and competitiveness of our North American industry."

#### **23. WestJet Reacts to New Open Skies Treaty**

WestJet CEO indicated that the Open Skies Agreement is a good step forward for our industry and for consumers though there will be much work to be done by both governments in order to ensure it is a success. He drew attention to the fact that there is need for providing fair and adequate access to American airports and airport facilities for the Agreement to reach its full potential.

#### **24. Canadian Airports welcome open skies agreement**

Airports across Canada welcomed the news from Transport Minister and International trade Minister on the negotiated Open Skies Agreement. President and CEO, Jim Facette of the Canadian Airports Council said “Greater access for Canadian passenger and cargo carriers to the larger U.S. market will serve as a platform from which to serve third countries; increase pricing flexibility for carriers; and provide more options for Canadian airport to attract U.S. carriers to communities across Canada.”

#### **25. Canada’s closing sky**

Although the proposals under the new agreement are not unimportant, potentially more meaningful would be a cabotage agreement that would allow US carriers to fly between Canadian cities and Canadian carriers to fly between US cities. Being controversial the Minister of Transport was forced to drop this issue from the bargaining table. This means that for the foreseeable future, Canada, the United States and Mexico will remain far behind the European Union which in 1997 deregulated its airline market. Further, while US has initiated talks with the EU with the hope of negotiating an open skies agreement, Canada has taken a wait and see approach which could place it at a disadvantage.

#### **26. Toronto Airport to raise fees**

Toronto’s Pearson International Airport says that Ottawa’s unfair rent policy is forcing it again to raise fees it charges airlines. The Airport Authority will be meeting with airlines to discuss the proposed increases in landing and terminal fees for 2006. It is considering a 9% increase. The prospects of other fees would make the situation worse. This could discourage foreign airlines from flying to Toronto. Transport Minister said he is unwilling to discuss the matter as Toronto Airport obtained \$5 billion in rent relief of the total of \$8 billion relief package. But the Airport said that the relief in the short run amounts to 6% compared to 60% to 70% for airports in Ottawa and Calgary. Further, rents will actually increase from \$144 million in 2005 to \$150 million in 2006 due to the rent deferral it was given to offset the impact of the SARS outbreak in 2003.

#### **27. Air Canada offers buy-in-bulk savings of up to 70 per cent with new flight passes for leisure travellers**

Air Canada has expanded its line of multi-trip online pass products with the launch of four new flight passes offering buy-in-bulk savings for leisure travellers. The passes offer up to 70 per cent off already discounted airfares until March 31 2006 for travel within Canada and until September 30, 2006 for travel to popular sun destinations. The passes are: Weekend Flight Pass; Discounted Flight Pass to the Sun; Flight Pass to the Sun - West; and Flight Pass to Hawaii.

#### **28. Toronto airport landing fees to rise 6.9%**

Toronto’s Pearson International Airport plans to raise landing fees 6.9%. Domestic and foreign airlines denounced the pending increase. The Airport blamed the federal government but the government accused the airline of spending too much on its Terminal 1.

#### **29. Pearson Airport Fee increase proves rent problem not fixed**

The Air Transport Association of Canada expressed profound disappointment about the increase in landing fees and terminal charges at Pearson International Airport in Toronto. Their President indicated that things are getting worse for air carriers and their passengers. He called on the federal government to reduce Toronto’s rent in the short term.

#### **30. Crown rent policy madness, further damages Canada’s competitiveness**

The International Air Transport Association renewed calls for the immediate elimination of Crown Rents charged at Canadian airports in light of the proposed increase in landing fees of 6.9% and terminal fees of 8.9%. Director General and CEO of IATA indicated that Ottawa’s air policy is out of sync with its overall approach to the economy given its contribution to Toronto. He also called for the Airport to better manage costs and highlighted the danger of liberalizing relations with the US without solving its infrastructure problems. He said “It is simply incomprehensible why the federal government continues to undermine the competitiveness of the airport through its rent policy. A clear and effective policy vision from Ottawa for air transport is long overdue.”

#### **31. Pearson may get \$5 billion break**

The federal Transport Minister indicated on November 17, 2005 that he is willing to reopen an airport rent accord to provide more short term relief to Pearson International airport. The Minister indicated that he has asked his officials to work with the finance department to explore ways to give Pearson some ‘breathing space’.

#### **32. Aircraft movement statistics**

For July 2005, Canadian airports without air traffic control towers reported 70,034 aircraft take-off and landings a 6.7% decrease from July 2004. The itinerant category represented 74.3% of the total movements and the local category represented 25.7%.

#### **33. Aircraft movement statistics**

The 42 Canadian airports with NAV CANADA air traffic control towers reported 371,413 aircraft take-off and landings in October 2005, up 1.4% from October 2004. Year-over-year decrease in aircraft movements were reported by 20 of the airports in October 2005.

### **34. SESAR - A Giant Step Towards Single European Sky**

IATA welcomed the ratification of the contract for the definition phase for the Single European Sky Implementation Programme. A more efficient European air traffic system will reduce delays for the travelling public and contribute to the overall health of the airline industry.

### **35. US, EU strike comprehensive deal to open airline competition**

Negotiators for the US and EU have reached an agreement to deregulate the transatlantic aviation market that would potentially allow airlines from the United States and 25 EU member states to virtually operate with no government interference. The two sides said they struck a deal on Nov. 18, 2005 that would lift controls on everything from prices, to aviation services, access and operating freedom granted foreign airlines. The provisional agreement, which opens competition within the airline industry to foreign carriers, must be approved by the EU's Council of Transport Ministers.

### **36. Statement by US Transportation Secretary Norman Y. Mineta on US-EU Aviation Talks**

A first-step agreement between the United States and the European Union was signed on Nov. 18, 2005, providing a historic opportunity to increase travel, reduce fares, expand commerce and bring two continents closer together than ever before. It also goes beyond traditional Open-Skies agreements by applying those principles on a regional basis. It provides new opportunities for U.S. and European airlines, healthier competition for a growing travel market and greater connections between cities and towns of all sizes on both sides of the Atlantic. This agreement would bring nearly 750 million people and 26 countries together to comprise the largest and most lucrative open aviation market ever created.

### **37. New regulations for business aircraft group**

Transport Minister announced amendments that would allow the Canadian Business Aviation Association to establish a new approach to safety oversight for private operators of business aircraft. The Minister said that "this effective approach to safety in the business aircraft sector combines effective regulations with enhanced responsibility for safety systems within this community."

### **38. Canada and Algeria in discussions to introduce air service between both countries**

Ministers from Transport Canada, International Trade and Foreign Affairs announced that the Government of Canada is prepared to discuss with Algeria the possibility of direct air service between Algeria and Canada. Direct services would benefit travellers from both countries. Algeria is Canada's largest trading partner in Africa and the Middle East North African region.

### **39. Transport Minister announces Advisory Panel and review of the CATSA Act**

Transport Minister announced on November 23, 2005, the appointment of an advisory panel to assist him in conducting a review of the Canadian Air Transport Security Authority [CATSA] Act. The Act came into force on April 1, 2002.

### **40. Air Canada to launch daily non-stop service between Montreal and Mexico City**

Air Canada announced on November 22, 2005 that it will introduce non-stop flights between Montreal and Mexico City beginning June 17, 2006.

### **41. ACE to pull trigger on Jazz trust**

Air Canada's parent company ACE Aviation Holdings Inc. is planning to announce that it will sell of a minority stake in its regional Jazz airline by creating an income trust that could be worth more than \$1 billion. The initial public offering could be \$150 million or 15%.

### **42. ACE Aviation Holdings Inc. announces the creation of Jazz Air Income Fund**

ACE Aviation Holdings Inc. (ACE) and Jazz Air Limited Partnership announced on November 28, 2005 that a preliminary prospectus has been filed with all securities regulatory authorities throughout Canada for an initial public offering of units of Jazz Air Income Fund. ACE will retain control of Jazz. Jazz will distribute the net proceeds of the offering to ACE which will be used for general corporate purposes.

### **43. No short term rent break for Pearson Airport**

The federal government indicated that it would not give a short-term break on the rent paid by Toronto's Pearson International Airport. The Minister in a letter to the Authority indicated that providing rent cuts would be too risky as it might jeopardize the new formula that Ottawa unveiled earlier this year.

### **44. Government of Canada flip-flops at Toronto's expense**

The Air Transport Association of Canada (ATAC) expressed its profound disappointment on November 28, 2005 with the federal government's failure to honour Transport Minister's commitment to provided immediate savings in federal rent payments due by Pearson Airport. This was expressed in view of the fact that the Minister of Transport acknowledged that there was need to address the short term rent pressures at Pearson Airport. ATAC also pointed out that from a competitive perspective Canada's largest trading partner takes a dramatically different approach to airport policy. US airports do not pay rent to their federal government and their governments often invest in them.

## **WATER TRANSPORTATION**

### **1. Pacific Gateway Act welcomed by Westac**

Western Transportation Advisory Council (WESTAC) indicated that it applauds the Government of Canada's *Pacific Gateway Act* announced by Transport Minister. It maintained that this initiative highlights the importance of the Pacific Gateway and Western Canada in a national strategy.

### **2. Port of Montreal sails towards another record year**

The Port of Montreal indicated that total traffic at the port increased by 6.1% to 18.2 million tonnes for the first nine months of 2005. The President and CEO of the port indicated that 2005 will be their fourth consecutive year. Traffic increased in all categories except dry milk.

### **3. EU trumpets report's findings on liner competition**

A consultant's report to the EU indicated that removing antitrust exemption to liner conferences would not hurt container lines finances and may even improve them. The reports other main findings on removing exemption from the competition rules are: service reliability on deep-sea and short-sea trades will improve; service quality will either be unaffected or will improve; small carriers will not experience particular problems; and there will be no negative impact or even a positive impact on EU ports, employment and trade. The Commission is expected to publish its final report on liner conferences at the end of the year.

### **4. Marine Atlantic drop-trailer service to continue**

It was announced that Transport Canada will maintain Marine Atlantic's drop-trailer service under certain conditions. Marine Atlantic Inc. is a Crown corporation mandated

to operate certain constitutionally required ferry services. On May 6, 2005 an advisory committee examining the future of Marine Atlantic made 41 recommendations, one of which was to eliminate the drop-trailer service to improve Marine Atlantic's efficiency. After deliberation and consultation the Government decided to continue the service provided: the level of cost recovery is acceptable; the service is handled more efficiently; and the trucking industry improves efforts to work with Marine Atlantic to manage traffic demand.

### **5. Competition Bureau challenges proposed grain handling joint venture**

The Competition Bureau filed an application before the Competition Tribunal on November 10, 2005 challenging a grain handling joint venture between the Saskatchewan Wheat Pool and James Richardson Limited at the port of Vancouver. The Bureau believes that the joint venture would remove a competitive alternative from the industry and result in a less competitive market for grain handling services at Canadian West Coast ports.

### **6. Transport Minister announces funding for marine security enhancement projects throughout Canada**

As part of the \$115 million funding program for Marine Security Contribution, Transport Minister announced the second round of funding that will provide \$29.1 million to 101 ports and marine facilities. The funding goes towards security enhancements such as surveillance equipment, dockside and perimeter security, command, control and communications equipment and training.

### **7. Caught in shipping gridlock**

There has been little planning on how Canada is going to capitalize on the Asia trade boom with its ageing infrastructure. The growth last year was so huge that there were lots of delays. There was congestion and labour shortages. The largest terminals at Vancouver told shipping lines to reduce cargo by 25%. Steps have so far only been taken to start Prince Rupert. But it could only be a quick fix and organizations like the Freight Forwarders Association have called for a 'holistic' solution. One trucking company estimates that congestion costs his company 25-30% of total costs. One proposal is to make better use of the Seaway as the rail and road networks are overtaxed.

## **Water Transportation**

### **Canada**

1. Pacific Gateway Act welcomed by Westac, Nov. 1, 2005, [www.westac.com](http://www.westac.com)
2. Port of Montreal sails towards another record year, Nov. 2, 2005, [www.ctl.ca](http://www.ctl.ca)
3. EU trumpets report's findings on liner competition, Nov. 10, 2005, [www.joc.com](http://www.joc.com)
4. Marine Atlantic drop-trailer service to continue, Nov. 15, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
5. Competition Bureau challenges proposed grain handling joint venture, 11/15/05, [www.competitionbureau.gc.ca](http://www.competitionbureau.gc.ca)
6. Transport Minister announces funding for marine security enhancement projects throughout Canada, Nov. 23, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
7. Caught in shipping gridlock, *National Post*, Nov. 26, 2005, p. FP6.

### **US/EU**

1. TSA: Shipping costs to rise 7% in '06, Nov. 10, 2006, [www.joc.com](http://www.joc.com)
2. NVOs to press for trans-Pacific rate discounts, Nov. 17, 2005, [www.joc.com](http://www.joc.com)
3. FMC reviews goals, Nov. 23, 2005, [www.joc.com](http://www.joc.com)



## RAIL TRANSPORTATION

### 1. CN suffers a new blow as 10 cars hop tracks

A CN train ran off the tracks on November 3, 2005 in the Squamish Vancouver area dumping 10 cars near Sunset Beach. No environmental damage or injury have so far been reported. Transport Minister announced that the federal government has called for an audit of CN's safety record and he is hoping the company will invest in improvements.

### 2. CN could face inquiry over safety: Lapierre

Transport Minister Jean Lapierre says a federal audit of Canadian National Railway Co's safety practices has found 'all kinds of problems' and that Ottawa could call a public inquiry into the company's operations if changes are not made.

### 3. Transport Canada orders CN to shorten B.C. trains after several derailments

Federal Minister has ordered CN Rail to cut the length of its conventional trains on a treacherous stretch of track where there have been several derailments. This would limit freight trains to 80 cars between Squamish and Clinton in BC. CN indicated that it is addressing the immediate concerns and that an action plan has been developed.

### 4. Canadian Pacific Railway [CPR] sells southern Indiana rail line to Indiana Rail Road Co.

CPR announced on November 8, 2005 that it has executed an agreement to sell its 92.3 mile track from Fayette (which is near Terre Haute) to Bedford, Indiana to Indiana Rail Road Co. Pending the approval of the US Surface Transport Board, the sale is expected to be completed in the first half of 2006. The sale also includes trackage rights over CSX from Chicago to Terre Haute and from Bedford to Louisville, Kentucky.

### 5. Stars are aligned for railways to take 'big, big leaps,'

CN's CEO is bullish on his company's strategic and financial outlook. The

railways in Canada could be poised to regain large part of the market share in the next 5 to 15 years that it lost to the trucking industry in the 1970s due to soaring fuel prices, labour shortages and quality of life and risk management.

### 6. CN and UTU [United Transportation Union] sign eight-year tentative labour pact for conductors in US midwest

CN and the UTU announced on November 15, 2005 that they had reached an eight-year tentative labour agreement covering 300 conductors working on CN lines in Wisconsin, Illinois and Northern Michigan.

### 7. CNR [Canadian National Railway Co.] expects 20% growth

Canadian National Railway Co. is forecasting 20 per cent growth in fourth-quarter earnings per share. It is hoping for a revenue of \$9 billion by the end of 2010.

### 8. CN sees up to 6% revenue rise next year

CNR dubbed the best-performing railway in North America is forecasting revenue growth of 5% to 6% next year and plans to double its one billion dollar container transport. The opening of a new port in Prince Rupert in mid 2007 will contribute a third of the expected long-term growth. CN is also contemplating an infrastructure expansion project network of \$150 million.

### 9. CN Chief sees mega-merger as an option

CN's president and CEO believes that bigger could be better and is open to the idea of a block buster merger. Worries of competition would have to be weighed against the benefits of customer gaining improved service. He indicated that there could be quite a bit of efficiency produced as well as better service. Burlington Northern Santa Fe Corp. (BNSF) has been considered as the possible candidate for merger. However, he indicated that he did not know whether BNSF wanted to sell or whether CN wanted to buy them or what the price would be.

### 10. CN predicts profit on growth track

CN offered assurances that it has increased inspection of its tracks and rail cars after a series of summer derailments. It also unveiled a rosy five-year financial forecast indicating that share profit in 2006 could climb 10 to 15 percent and there could be a stock split next year. For the next quarter, it believes share profit could grow 20 % and that earnings growth of 10 percent over the next five years is achievable.

## Rail Transportation

### Canada

1. CN suffers a new blow as 10 cars hop tracks, November 4, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)
2. CN could face inquiry over safety: Lapierre, *Globe and Mail*, Nov. 4, 2005, p. B2.
3. Transport Canada orders CN to shorten B.C. trains after several derailments, November 7, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)
4. Canadian Pacific Railway sells southern Indiana rail line to Indiana Rail Road Co., Nov. 8, 2005, [www.cpr.ca](http://www.cpr.ca)
5. Stars are aligned for railways to take 'big, big leaps,' CN feels, *Globe and Mail*, Nov. 10, 2005, p. B4.
6. CN and UTU sign eight-year tentative labour pact for conductors in US midwest, Nov. 15, 2005, [www.cn.ca](http://www.cn.ca)
7. CNR expects 20% growth, November 18, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)
8. CN sees up to 6% revenue rise next year, *National Post*, November 18, 2005, P. FP4.
9. CN Chief sees mega-merger as an option, *Globe and Mail*, Nov. 18, 2005, p. B9.
10. CN predicts profit on growth track, *Globe and Mail*, Nov. 19, 2005, p. B6.
11. Efficiency the fast track to profit, CPR says, *Globe and Mail*, Nov. 17, 2005, p. B4.
12. CP expects Asian trade to lift profit, *National Post*, Nov. 17, 2005, p. B6.
13. Railway carloadings, *The Daily*, November 22, 2005, [www.statcan.ca](http://www.statcan.ca)
14. Government of Canada announces new passenger rail and mass transit security initiatives, Nov. 23, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
15. Government of Canada and farmer rail car coalition reach agreement-in-principle for hopper car transfer, Nov. 24, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

### 11. Efficiency the fast track to profit, CPR [Canadian Pacific Railway Ltd.] says

Canadian Pacific Railway Ltd. is forecasting that its profits could rise 18% next year if its network is operated more efficiently. They indicated that they will attempt to reduce the amount of train downtime at terminals. CPR indicated that it will have new terminal and track capacity to help speed up deliveries. CPR also hopes to capture some of the market from the trucking sector with shortage in truck drivers and hopes to reduce cost of diesel prices by maintaining fuel surcharges and hedging contracts.

### 12. CP expects Asian trade to lift profit

Canadian Pacific Railway Ltd., in the final stages of an expansion project in Western Canada, indicated that earnings could increase by as much as 18% as the railroad braces for more Asian trade and strong overall demand for shipments of bulk and consumer goods. CPR's chief executive office indicated that the decision to invest was based on the continued boom in international trade with China and India.

### 13. Railway carloadings

Railways recorded a record tonnage of cargo of more than 71.9 million metric tonnes for the third quarter of 2005 driven by strong economic growth particularly in Asia. Coal and iron ore carloadings led the list of freight in the third quarter.

### 14. Government of Canada announces new passenger rail and mass transit security initiatives

The Minister of Transport and the Deputy Prime Minister announced initial steps, including funding of \$110 million for an Immediate Action Plan, to enhance the security of Canada's passenger rail and public transit systems. This demonstrates the Government's commitment to constantly improving safety and security in all modes of our transportation system. The action plan includes five complementary components.

### 15. Government of Canada and farmer rail car coalition reach agreement-in-principle for hopper car transfer

The Government of Canada has agreed with the Farmer Rail Car Coalition to lease them approximately 12,000 grain hopper cars for five years, leading to a permanent transfer at the end of that period. The transfer price will be \$205 million, consisting of lease payments over five years totalling \$65 million, a credit of \$35 million for car refurbishment work to be done by the coalition, and a final payment of \$105 million over a further eight-year period.

## HIGHWAY TRANSPORTATION

### 1. For-hire motor carriers of freight, all carriers

The number of for-hire trucking companies were 3,333 (with revenues of \$1 million or more) in the second quarter of 2005 up by 4.6% compared to the same quarter last year. The operating revenues totalled \$6.56 billion, up 4% from the second quarter of 2004. Operating expenses were \$6.01 billion, up from the second quarter in 2004. The average operating revenues and expenses per carrier for the second quarter of 2005 were slightly lower than those reported during the second quarter of 2004. The operating ratio remained unchanged at 0.92.

### 2. Special Legislation for Highway 30 Receives Royal Assent

Transport Minister announced on November 3, 2005 that a special piece of legislation has received Royal Assent to assist in the completion of Highway 30 in Quebec. This legislation will allow the Government of Quebec to take the next steps required to obtain the Government of Canada's authorization for the construction of bridges over the St. Lawrence River and Beauharnois Canal.

### 3. Governments of Canada to Fund Intelligent Transportation Systems

Ministers from the federal and provincial governments announced on November 8, 2005, the signing of two contribution agreements to develop and deploy intelligent transportation systems in the Northwest Territories. The funding for both agreements is \$700,000. One of the projects is to develop and design an electronic tolling system over the Mackenzie River.

The other will result in an automated traveller information system and baggage information display signs at Yellowknife Airport.

### 4. \$8.1 million federal-provincial partnership to make southern Vancouver Island safer

Ministers from the federal and provincial governments announced on November 8, 2005, a \$8.1 million highway safety

### Highway Transportation

#### Canada

1. For-hire motor carriers of freight, all carriers, *The Daily*, November 3, 2005, [www.statcan.ca](http://www.statcan.ca)
2. Special Legislation for Highway 30 Receives Royal Assent, November 3, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
3. Governments of Canada to Fund Intelligent Transportation Systems, Nov. 8, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
4. \$8.1 million federal-provincial partnership to make southern Vancouver Island safer, Nov. 8, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
5. Ceremony to mark completion of U.S. plaza improvements at Peace Bridge, Nov. 8, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Border transportation partnership identifies central area of analysis for a new Detroit-Windsor border crossing, November 14, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
7. Canada and Ontario Reduce Congestion at Niagara Border, November 18, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Large urban transit, *The Daily*, Nov. 22, 2005, [www.statcan.ca](http://www.statcan.ca)
9. Canada and Ontario improving Highway 401 in Essex County, Nov. 23, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
10. Smart commute launches carpool zone, November 24, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
11. In 2009, from YVR to waterfront in 25 minutes, November 24, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
12. Canada Line launched as partners unveil vehicle, Nov. 15, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
13. Couriers and messengers services price index, *The Daily*, Nov. 28, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
14. Unique highway inspection station under construction at Saint-Bernard-de-Lacolle, [www.tc.gc.ca](http://www.tc.gc.ca)
15. Government of Canada and York region to study better traffic management, Nov. 28, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)



upgrade on a section of the Trans-Canada Highway. The Dougan Lake area upgrade is a Strategic Highway Infrastructure Program project.

#### **5. Ceremony to mark completion of U.S. plaza improvements at Peace Bridge**

The Government of Canada and the Buffalo and Fort Erie Public Bridge Authority announced on November 8, 2005 the completion of work on the U.S. Plaza at the Peace Bridge, a project funded under the Canada-Peace Bridge Border Infrastructure Fund. Both shared the estimated cost of \$4.3 million equally.

#### **6. Border transportation partnership identifies central area of analysis for a new Detroit-Windsor border crossing**

The governments of Canada, the United States, Ontario and Michigan announced that they have made significant progress towards developing a new river crossing at the Detroit-Windsor Gateway. Of the 15 initial river crossings, 13 have so far been eliminated. In Canada, the area of analysis is in the Industrial area of West Windsor this would link to an inspection plaza in the US north of Zug Island. The next phase will examine opportunities and challenges within the identified areas in more detail.

#### **7. Canada and Ontario Reduce Congestion at Niagara Border**

The Government of Canada, the Government of Ontario and the Niagara Falls Bridge Commission celebrated the completion of the \$45 million fifth lane Queenston-Lewiston Bridge. This bridge is Canada's fourth busiest commercial crossing with more than one million truck crossings every year and \$28 billion goods carried annually. The completion will help reduce congestion.

#### **8. Large urban transit**

Combined ridership on 10 large urban transit systems in Canada was 3.6% higher in September 2005 than it was for the same month in 2004. Approximately 121.7 million passenger trips were taken and they accounted for 80% of total urban transit in Canada. The trips generated \$190.2 million in revenue a increase of 6.1% over September 2004.

#### **9. Canada and Ontario improving Highway 401 in Essex County**

Transport officials announced the completion of the first phase of Highway 401 widening in Essex County. More than 24,000 vehicles travel this section of Highway 401 which leads to Ontario's busiest border crossing in Windsor.

#### **10. Smart commute launches carpool zone**

Toronto Mayor and Smart Commute Association announced the launch of Carpool Zone, the first ever Internet carpool service to help commuters in the Greater Toronto Area and Hamilton find people to share a ride. It is an initiative under the Urban Transportation Showcase Program (a program to reduce greenhouse gas emissions). Transport Canada will contribute up to \$2.5 million in funding, up to a third of the costs.

#### **11. In 2009, from YVR to waterfront in 25 minutes**

On November 25, government officials and the president of Vancouver International Airport will unveil the Canada line vehicle. The line will connect Vancouver with central Richmond and its Airport. The \$1.9 billion project is being implemented by RAVCO, a subsidiary of TransLink. The latter will own the line and set fares.

#### **12. Canada Line launched as partners unveil vehicle**

Government officials gathered to unveil the Canada Line name and vehicle design for the Richmond-Airport-Vancouver Rapid Transit Project. Beginning in 2009 and at 5 minute intervals, the Canada Line will carry passengers between Richmond, Vancouver International Airport and Vancouver's Waterfront Centre in 25 minutes or less.

#### **13. Couriers and messengers services price index**

The Couriers and messengers services price index increased 1.3% to 112.6 in October (2003=100), due mainly to increased fuel costs. The courier portion rose 1.5% while the local messengers component increased 0.5%.

#### **14. Unique highway inspection station under construction at Saint-Bernard-de-Lacolle**

Government officials announced the start of construction of an inspection station on Highway 15 at Saint-Bernard-de-Lacolle as part of the Strategic Highway Infrastructure Program to improve the transborder trade corridor. The station will be operational by the fall of 2006 and will cost \$21.6 million.

#### **15. Government of Canada and York region to study better traffic management**

Government officials announced on November 28, 2005, that Transport Canada and York Region will be studying opportunities for integrating traffic management systems in the York Region. York Region is one of the fastest growing municipalities. The government is prepared to contribute upto \$250,000 per municipality to undertake the study.

## GENERAL

### 1. Transport Canada's Departmental Performance Report for the Period Ending March 31, 2005

The Minister of Transport presented Transport Canada's Departmental Performance Report for the period ending March 31, 2005. The Minister indicated it has been a productive year. The Report consists of four sections: I. Overview; II. Analysis of Performance by Strategic Outcome; III. Supplementary Information; and IV. Other Items of Interest. The details on each section can be found in the Report which is on Transport Canada's website.

### 2. Innovation in Selected Transportation Industries, Results from the Survey of Innovation

This working paper highlights aspects of innovation in selected transportation industries. It documents: incidence and types of innovation; novelty of innovation; sources of information; innovation activities; where innovations are developed; co-operation and collaboration; problems and obstacles to innovation; government support for innovation; impacts of innovation; and reasons firms do not innovate.

### 3. Transport Minister issues call for proposals for transportation planning and modal integration projects

Transport Minister announced a \$1 million second call for proposals for projects that advance transportation planning and enhance integration and connections between modes of transportation. Examples of the types of proposals eligible for funding are: planning and feasibility studies or projects (except for urban transit); infrastructure and technology projects that improve connections between modes; initiatives that facilitate partnerships or cross-shipper partnerships; research studies that provide greater understanding of multimodal transportation; development of information, etc.

### 4. Travel between Canada and other countries

More than 2.9 million people travelled to Canada in September 2005 up 4.4% from August 2005. The vast majority, more than 2.5 million, came from the United States. This was a 4.9% rebound from August. Travel to Canada rose for the first time in five months, particularly from the United States. The most important increases from overseas markets came from Mexico and Taiwan.

### 5. New environmentally friendly projects to receive funding under freight incentives program

Transport Minister announced on November 17, 2005 that more than \$2 million have been awarded in funding for ten projects to help the freight transportation sector reduce the greenhouse gas emissions. The funding comes from Transport Canada's Freight Incentives Program. This is a four-year \$5 million program designed to encourage the adoption and use of technology and equipment to reduce greenhouse gas emissions.

### 6. Freight sustainability projects announced to reduce greenhouse gas emissions

Transport Minister announced that nine projects designed to reduce greenhouse gas emissions in freight transportation industry have been selected to receive funding of \$1.3 million under Transport Canada's Freight sustainability Demonstration Program.

## Current Developments in Brief

### General

#### CANADA

1. Transport Canada's Departmental Performance Report for the Period Ending March 31, 2005, November 1, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Innovation in Selected Transportation Industries, Results from the Survey of Innovation, *The Daily*, Nov. 2, 2005, [www.statcan.ca](http://www.statcan.ca)
3. Transport minister issues call for proposals for transportation planning and modal integration projects, November 7, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
4. Travel between Canada and other countries, *The Daily*, Nov. 17, 2005, [www.statcan.ca](http://www.statcan.ca)
5. New environmentally friendly projects to receive funding under freight incentives program, Nov. 17, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Freight sustainability projects announced to reduce greenhouse gas emissions, November 24, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

## Publications

1. Innovation in Selected Transportation Industries, Results from the Survey of Innovation, Statistics Canada, November 2, 2005, [88F0006X1E2005014](http://88F0006X1E2005014)