

Transportation Information Update*

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The Asia-Pacific Gateway Corridor Initiative

On October 11, 2006, the Government of Canada launched the new Asia-Pacific Gateway and Corridor Initiative announcing concrete measures and long-term direction to strengthen Canada's competitive position in international commerce. The Initiative is an integrated set of investment and policy measures that will enhance the efficiency and exploitation of the Gateway and Corridor [i.e., infrastructure from Winnipeg to Vancouver (via Regina-Calgary) and Prince Rupert (via Saskatoon-Edmonton) including British Columbia Lower Mainland and Prince Rupert ports, road and rail connections].

The Asia-Pacific Gateway Corridor Initiative, October 12, 2006, www.tc.gc.ca

Canada's New Government Takes Steps Towards New International Air Policy

On October 25, 2006, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, released a consultation document in support of a new international air transportation policy. Transport Canada is seeking stakeholder views on the document, which calls for a modernized approach to international air transportation, including Canada's bilateral air transportation negotiations. Transport Canada also seeks the views of stakeholders on longer-term issues such as: a comprehensive Canada-European Union air agreement; a review of ownership and control regimes of foreign air carriers; the movement towards the creation of a North American aviation market; and the adoption of a multi-lateral approach to some negotiations, which means one agreement with a group of countries.

Canada's New Government Takes Steps Towards New International Air Policy, October 25, 2006, www.tc.gc.ca

AIR TRANSPORTATION

1. Statement by Homeland Security Secretary Michael Chertoff on Passenger Name Record Agreement with European Union

US Homeland Security Secretary Michael Chertoff announced that following their negotiations with representatives of the European Union (EU), he has initialled a draft formal U.S. /EU agreement regarding the sharing of Passenger Name Record (PNR) data. The deadline for the US and the European Commission to reach an agreement on the issue of airline passenger data was 30 September, 2006.

2. IATA position on the US-EU Draft Agreement on Airline Passenger Data

Director General and CEO of the International Air Transport Association (IATA) indicated that he is pleased that a draft agreement on airline passenger data was initialled by the European Commission and the United States in Washington on September 30, 2006. It now has to be approved by the European Council of Justice and Home Affairs Ministers by the end of this week.

3. No quick relief seen on airline fuel surcharges

Consumer advocates complain that airlines respond fairly rapidly to fuel increases and less rapidly to fuel decreases and that a truly competitive market would show much more responsiveness. Air Canada Vacations has a round-trip fuel surcharge of \$100. Transat A.T. Inc. is keeping its round-trip fuel surcharge to Caribbean destinations at \$100 and to European vacations at \$104. Air Canada's round-trip fuel surcharges built into its airfare base range between \$38 and \$72, depending on the route length. Similarly, WestJet also has round-trip fuel surcharges built into its airfare base. However, airlines and tour operators say that air travellers won't be getting relief from fuel surcharges unless oil prices slip below \$60 (U.S.) a barrel and stay there for several months.

4. What Clive Beddoe knew

Documents obtained by *The Globe and Mail* show that WestJet CEO, Mr. Beddoe, regularly received e-mails from an executive who surreptitiously got data from Air Canada's website. Mr. Beddoe said he received information about load factors but he

Current Developments in Brief

Air Transportation

CANADA

1. Statement by Homeland Security Secretary Michael Chertoff on Passenger Name Record Agreement with European Union, www.dhs.gov
2. IATA position on the US-EU Draft Agreement on Airline Passenger Data, October 1, 2006, www.iata.org
3. No quick relief seen on airline fuel surcharges, October 2, 2006, www.globemail.ca
4. What Clive Beddoe knew, October 3, 2006, www.gobeandmail.ca
5. CEO of WestJet Responds to False Allegations, October 4, 2006, www.westjet.ca
6. Porter Airlines starts taking reservations on Tuesday, flights begin Oct. 23, October 3, 2006, www.Nationalpost.ca
7. Air Canada pilots seek to stop ACE shareholder distribution plan, October 5, 2006, www.globemail.ca
8. Air Canada reports September traffic, October 6, 2006, www.aircanada.ca
9. WestJet Announces September Traffic Results, October 6, 2006, www.westjet.ca
10. Airlines Applaud US-EU Agreement on Passenger Data - More Work Needed on Harmonisation, October 6, 2006, www.iata.org

* 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.

wasn't involved with improperly obtaining data from Air Canada. He said "This is being taken totally out of context," noting that it is common in the airline sector to count passengers at gates.

5. CEO of WestJet Responds to False Allegations

Clive Beddoe, Chairman and CEO of WestJet speaking about the article that appeared in the *Globe and Mail* on October 3, 2006 clearly paints an unrepresentative and biased view of his conduct and was taken wholly out of context. Further, based on the settlement with Air Canada he is not at liberty to comment.

6. Porter Airlines starts taking reservations on Tuesday, flights begin Oct. 23

Porter Airlines started taking reservations on October 3, 2006 in preparation for its first flight between the Toronto island airport and Ottawa, beginning Oct. 23, 2006. The company offers 10 round-trip flights each weekday and two round-trip flights on Saturday and Sunday. Fares start at \$120 and can be booked through registered travel agents, Porter's website or its call centre.

7. Air Canada pilots seek to stop ACE shareholder distribution plan

The Air Canada Pilots Association wants to halt ACE Aviation Holdings Inc.'s plan to distribute up to \$2-billion in capital to ACE shareholders. It would include issuing Aeroplan Income Fund units to ACE shareholders.

8. Air Canada reports September traffic

Air Canada reported a system load factor of 79.7 percent for September 2006. The mainline carrier flew 0.4 percent less revenue passenger miles (RPMs) in September 2006 than in September 2005. Overall, capacity increased by 0.5 percent, resulting in a load factor of 79.7 percent, down from 80.4 percent in September 2005. Jazz's capacity increased by 40 per cent, resulting in a load factor of 71.6 per cent, compared to 69 per cent in September 2005, an increase of 2.6 percentage points. On a combined basis (Air Canada and Jazz) system traffic rose 2 per cent on a capacity increase of 3 percent, resulting in a load factor of 79 percent. North American traffic, on a combined basis, rose 6.2 percent.

9. WestJet Announces September Traffic Results

WestJet announced its traffic statistics for September 2006 featuring an increase in load factor to 75.2%, compared with 70.9% in September 2005. WestJet's revenue passenger miles (RPMs) increased 24% to 817.4 million for September this year, up from 656.7 million in September 2005. Available seat miles (ASMs) grew 17% to 1,086.2 million in September 2006, up from 926.4 million in September 2005. The company reported that load factors were strong as demand on WestJet increases. WestJet's president indicated that they were pleased to complete the third quarter with strong performance results including favourable traffic statistics.

10. Airlines Applaud US-EU Agreement on Passenger Data - More Work Needed on Harmonisation

The International Air Transport Association (IATA) welcomed the European Commission's approval of an agreement with the United States on the sharing of passenger data.

11. ACE shareholders okay distribution plan

Shareholders of ACE approved a plan to distribute up to \$2 billion of Air Canada's capital to investors. ACE's chief executive officer also indicated that the company will sell its technical services unit which performs aircraft maintenance and overhaul.

12. CHC Helicopter founder Craig Dobbin dead at 71

Craig Dobbin the founder and chairman of CHC Helicopter passed away on October 7, 2006. CHC Helicopter is the world's largest helicopter company. It was founded in 1987 when Craig merged his company Sealand Helicopters founded in 1970 with Okanagan Helicopters and Toronto Helicopters. A plan to sell CHC Helicopters

11. ACE shareholders okay distribution plan, *Globe and Mail*, October 6, 2006, p. B6.
12. CHC Helicopter founder Craig Dobbin dead at 71, *Globe and Mail*, October 9, 2006, p. B3.
13. CHC Helicopter stock rises as Mark Dobbin takes reins, October 11, 2006, www.globeandmail.ca
14. Proposed Amendments for Airport Emergency Response, October 10, 2006, www.tc.gc.ca
15. Air Canada expands flight pass offerings to international destinations with the launch of the "London Pass" from Canada to London Heathrow, October 12, 2006 www.aircanada.ca
16. Air Canada to launch non-stop service between Montreal and Rome, www.aircanada.ca
17. WestJet board says Beddoe man of 'integrity', October 16, 2006, www.westjet.ca
18. ACE Aviation and Air Canada announce the filing of a preliminary prospectus for the initial public offering of Air Canada, October 16, 2006, www.aircanada.ca
19. Aeroplan puts a time limit on miles, October 17, 2006, www.globeandmail.ca
20. Frequent fliers riled by Aeroplan changes, Oct 17, 2006, www.globeandmail.ca
21. Minister Cannon Receives Report on the Toronto Port Authority, October 17, 2006, www.tc.gc.ca
22. The WestJet staffer who blew the whistle, Oct 18, 2006, www.globeandmail.ca
23. Canada's New Government tables Act to protect Official Languages at Air Canada, October 18, 2006, www.tc.gc.ca
24. Carrier pushes for 'open skies' revamp, October 19, 2006, www.nationalpost.ca
25. Air Canada introduces new flight passes for unlimited travel anywhere within North America, October 19, 2006, www.aircanada.ca
26. Air Canada and Telus enter new era of corporate travel - Revolutionary Corporate Pass Saves Money, Simplifies Travel, October 19, 2006, www.aircanada.ca
27. Aircraft movement statistics, October 20, 2006, www.statcan.ca
28. Canada Airports Council Speaking Notes on the Standing Committee on Finance, October, 18, 2006, www.cacairports.ca
29. Tories battle bureaucrats over 'open skies' policy, October 18, 2006, www.atac.ca
30. Airports Industry Applaud New International Air Policy Vision for Canada, October 25, 2006, www.cacairports.ca
31. ATAC Welcomes Air Policy Review and Encourages Competitiveness, October 25, 2006, www.atac.ca
32. Ottawa hints it's ready to open Canadian skies to competition, October 26, 2006, www.nationalpost.ca
33. WestJet Reports Record Third Quarter Earnings, October 26, 2006, www.westjet.ca
34. Airlines fly into the black, October 27, 2006, www.globeandmail.ca
35. WestJet's earnings soaring, October 27, 2006, www.nationalpost.ca
36. Canada's New Government Announces Details of Passenger Protect Program, October 27, 2007, www.tc.gc.ca
37. Air Canada Inaugurates Non-Stop Seasonal Flights from Calgary to Fort Lauderdale, The "Venice of America", October 29, 2006, www.aircanada.ca

to US private equity groups in early 2006 was not successful.

13. CHC Helicopter stock rises as Mark Dobbin takes reins

Shares in CHC Helicopter Corp. rose more than five per cent in trading on October 10, 2006 as Mark Dobbin began his new role as chairman of the flight services company. Research Capital analyst Jacques Kavafian said the jump in the share price could be due to speculation by traders that the company might be up for sale. Since CHC was founded, it has continued to grow by acquisition, including the addition of British International Helicopters in 1994, and the Norway's Helicopter Services Group in 1999 and the Schreiner Aviation Group in 2004.

14. Proposed Amendments for Airport Emergency Response

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, on October 10, 2006 proposed regulatory amendments requiring all certified Canadian airports to follow a clear and consistent set of criteria when developing and evaluating emergency response plans. The proposed amendments include provisions for ensuring a more formal approach to airport emergency planning together with plans for testing.

15. Air Canada expands flight pass offerings to international destinations with the launch of the "London Pass" from Canada to London Heathrow

Air Canada expanded its Flight Pass offerings to its first international destination with the launch of the "London Pass" on October 11, 2006. It consists of six pre-paid, one-way trips between all destinations across Canada and London Heathrow, and offers flexibility and value for frequent travellers to London.

16. Air Canada to launch non-stop service between Montreal and Rome

Air Canada announced on October 12, 2006 that it will launch non-stop service between Montreal and Rome to meet peak seasonal travel demand. The service will begin on June 1, 2007 and go on until September 30, 2007. Air Canada offers connecting flights via Rome to popular destinations in Italy operated by Air One, a Lufthansa partner airline.

17. WestJet board says Beddoe man of 'integrity'

WestJet Airlines Ltd. directors have given their full support to chairman and chief executive officer Clive Beddoe in a message sent to all WestJetters in the second week of October 2006. They have cleared him of all wrongdoing indicating that he has conducted himself honourably.

18. ACE Aviation [ACE] and Air Canada announce the filing of a preliminary prospectus for the initial public offering of Air Canada

ACE and Air Canada announced that a preliminary prospectus will be filed on October 16, 2006 with all securities regulatory authorities throughout Canada qualifying the offering of Class A variable voting shares and Class B voting shares in the capital of Air Canada. The offering will be by Air Canada for gross proceeds of \$200 million and a undetermined secondary offering by ACE of Air Canada shares. ACE is Air Canada's parent company and current sole shareholder. However, it will retain control of Air Canada through a majority interest.

19. Aeroplan puts a time limit on miles

Aeroplan Income Fund announced on October 16, 2006 several changes to its points system and that it is boosting distributions by 12%. The rule change relates to the way miles accumulate and expire. From Jan. 1 onwards, Aeroplan will start date-stamping Aeroplan miles each month and any miles that aren't redeemed after 7 years will be automatically deducted from members' balances. It plans to change its mileage expiry policy to make members use the program at least once every 12 months. Members whose accounts expire may re-instate those miles for \$30 plus 1 cent per restored mile.

20. Frequent fliers riled by Aeroplan changes

A person from a on-line vacation firm has voiced opposition to the Aeroplan changes. He prefers preserving his Aeroplan nest egg because it's tangible evidence of his loyalty as an Air Canada frequent flier and because accumulated points are like a registered retirement savings plan for some -- to be dipped into only after members retire or have a rainy-day emergency -- and that often means it takes a decade or longer to cash in miles for a trip. Aeroplan president Rupert Duchesne defended the changes, saying the rewards program has an obligation to strengthen its profit.

21. Minister Cannon Receives Report on the Toronto Port Authority

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on October 17, 2006 that he has received a report on the Toronto Port Authority, prepared by Mr. Roger Tassé. The report deals with issues associated with the Toronto Port Authority and the transportation links to the Toronto City Centre Airport.

22. The WestJet staffer who blew the whistle

Melvin Crothers who blew the whistle on WestJet says that he has yet to receive any thanks from Air Canada for exposing Calgary-based WestJet's 2003-2004 spying campaign. He says that he only did the right thing, he did the company a big favour and that it was done not for any personal gain.

US

1. Airlines Post Higher Rate of On-Time Flights, Lower Rate of Cancellations in August, October 4, 2006, www.dot.gov
2. BTS Releases July 2006 Airline Traffic Data; Seven-Month System Traffic Up 0.5 Percent From 2005, October 13, 2006, www.dot.gov
3. BTS Releases Second-Quarter 2006 Air Travel Price Index (ATPI); Air Fare Index Reaches Highest Level in 11-Year Measurement; Top Increase in Cincinnati, Top Decrease in Kahului (Maui), October 25, 2006, www.dot.gov

23. Canada's New Government tables Act to Protect Official Languages at Air Canada

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on October 18, 2006 that the Government of Canada would amend legislation to ensure that official languages obligations will continue to apply to the restructured Air Canada and are restored at its various affiliates.

24. Carrier pushes for 'open skies' revamp

Singapore Airlines has asked Ottawa to negotiate an "open skies" deal between Canada and Singapore after the last deal was scrapped 14 years ago as a result of complaints from Air Canada.

25. Air Canada introduces new flight passes for unlimited travel anywhere within North America

As part as Air Canada's multi-trip pass products, it is offering Canadian customers the ultimate in freedom and control over their travel with its new 'Unlimited Pass' for flights within Canada and the continental U.S.A. The 'Unlimited Pass' opens limitless travel possibilities within nine geographic zones anywhere Air Canada, Jazz and their regional partners fly. It also allows purchasers to make fixed monthly payments, avoiding full up-front costs.

26. Air Canada and Telus enter new era of corporate travel - Revolutionary Corporate Pass Saves Money, Simplifies Travel

TELUS has agreed with Air Canada to use its Corporate Passes for employees travelling on business. It is expected to result in substantial cost savings, more flexibility and greater convenience for the company and its employees.

27. Aircraft movement statistics

The 42 Canadian airports with NAV CANADA air traffic control towers reported 398,947 aircraft take-offs and landings in September 2006, up 0.7% compared with September 2005 (396,070 movements). Year-over-year increases in aircraft movements were reported by 18 airports in Sept. 2006 and ranged from an increase of 35.4% to a decline of 26.6%.

28. Canada Airports Council Speaking Notes on the Standing Committee on Finance

Jim Facette, President and CEO, spoke to the Standing Committee on Finance. He addressed issues that affect Canada's airports in a competitive world. He discussed matters such as: airport rent, Canada border agency services, duty free arrivals, programme d'aide aux immobilisations aéroportuaires and international air agreements.

29. Tories battle bureaucrats over 'open skies' policy

The Prime Minister's Office, Transport Minister Lawrence Cannon and Trade Minister David Emerson are eager to push ahead with those open skies deals and more. But the *Calgary Sun* reported that their sources say there is a major rift between the Tories and Transport Canada bureaucrats over how quickly to proceed. In contrast to Canada, the U.S. has 77 open skies agreements, Australia three, Chile seven, New Zealand 10, and Singapore nine. The European Union has a completely open skies regime.

30. Airports Industry Applaud New International Air Policy Vision for Canada

The Canadian Airports Council on October 25, 2006 applauded the federal government's new international air policy vision. The CAC supports the government's "proactive" approach to pursuing more liberalized agreements for international air service and welcomed the government's plans to pursue Open Skies as a primary objective. The paper also says that recognition must be given to community priorities, urges a separate liberalized approach for cargo and calls on Canada to pursue a multilateral approach to air regimes, where appropriate.

31. ATAC Welcomes Air Policy Review and Encourages Competitiveness

The Air Transport Association of Canada on October 25, 2006 welcomed Minister Cannon's initiative to review Canada's international air policy. He urged the government to reduce aviation-specific taxes and to make Canadian air carriers more globally competitive. It drew attention to areas that could achieve this: lower airport rents, a reduction of fuel excise tax; and reduction in security fees. It also draws attention to the fact that these factors should be considered before Ottawa dives into future open skies pacts or talks about a common aviation market as it can give airlines in other countries a competitive advantage.

32. Ottawa hints it's ready to open Canadian skies to competition

Ottawa is raising the notion of a single North American aviation market, including the controversial idea of allowing foreign airlines to service domestic routes, in a bid to promote competition and give Canadians more air travel options. It is considering a policy similar to what prevails in the EU. The federal agency dubbed the idea an "ambitious strategy" that would depend on the readiness of all three governments. "I think there would still be some real benefits for consumers," said Peter Wallis, the head of the Van Horne Institute for International Transportation at the University of Calgary.

33. WestJet Reports Record Third Quarter Earnings

WestJet announced on October 26, 2006, the best quarter in its history, reporting record net earnings of \$52.8 million, an increase of 74.5 per cent compared to \$30.3 million in the third quarter of 2005. Revenues grew this quarter to \$502.6 million, an increase of 23.8 per cent, compared to \$406.1 million in the same period in 2005. Revenue per available seat mile grew 5.6 per cent for the quarter from 14.4 cents to 15.2 cents. Load factor for the quarter increased to 80.5 per cent from 78.6 per cent, an increase of 1.9 points. These gains occurred while capacity, measured in ASMs, increased

to 3.31 billion from 2.82 billion, a 17.3 per cent increase. Cost per available seat mile, including fuel, increased to 12.5 cents from 12.4 cents in 2005, an increase of less than one per cent. These results are a record for WestJet. A significant accomplishment for this quarter was their ability to control costs.

34. Airlines fly into the black

WestJet Airlines Ltd. announced on October 26, 2006 that it enjoyed a record quarterly profit, and analysts say Air Canada is also on a profitable path, with both carriers likely to mark 2006 as a profitable year. This is in sharp contrast to 2004, when Air Canada lost \$880-million and WestJet posted a \$17-million loss. Fuller planes with passengers, tight cost controls and weakening oil prices have resulted in the recovery.

35. WestJet's earnings soaring

Clive Beddoe, CEO of WestJet Airlines Ltd., says the airline is poised to reap the rewards of a boom in air travel thanks to a growing preference among Canadians for shorter, more frequent vacations. He indicated that the airline is witnessing the early stages of a shift in leisure travel habits, namely people who opt to split their annual vacation into two or more mini-getaways throughout the year. Another factor that will help to keep the industry aloft, according to Mr. Beddoe, is a growing number of retirement-aged baby boomers looking for ways to escape Canada's long, cold winters.

36. Canada's New Government Announces Details of Passenger Protect Program

Government officials announced on October 27, 2006 further details and draft regulations related to Canada's air passenger assessment program, known as Passenger Protect. Under the program, the Government of Canada will take action to prevent persons who pose an immediate threat to aviation security from boarding a commercial aircraft. Under the program, the Government of Canada will create a list of specified persons who may pose an immediate threat to aviation security should they attempt to board a flight.

37. Air Canada Inaugurates Non-Stop Seasonal Flights from Calgary to Fort Lauderdale, The "Venice of America"

On October 29, 2006, Air Canada marked the launch of non-stop, seasonal flights from Calgary to Fort Lauderdale, Florida. Air Canada operates weekly flights on Sundays from Calgary to Fort Lauderdale. The airline will increase service to three flights per week on December 17, in time for peak winter travel to this destination.

WATER TRANSPORTATION

1. Shipper groups step up pressure to end carriers' collusive rate setting

Shipper groups from around the world believe they now have increased leverage to end the liner carrier practice of jointly setting freight rates allowed by national governments with the European Commission's recent decision. "The repeal in Europe will become a force and model for change elsewhere," said the Global Shippers' Forum "Competition policies for the liner-shipping sector around the world can be expected to align themselves with those followed in most other industrial and service sectors."

2. Executives: Western Canada ports need to 're-brand'

Logistics professionals speaking at the Canada-Asia Maritime Conference on October 2-3, 2006 indicated that the country's western gateway ports ought to "re-brand" themselves and erase the perception that the region is plagued by recurring congestion and labour problems. British Columbia's Minister of Transportation, Kevin Falcon, said that "We have to be much bolder and seize the opportunity" presented by the explosion in container traffic from Asia-Pacific and Canada's Pacific Gateway transportation network plan. The executives expressed the view that they need to position themselves as a gateway for the next 10 to 20 years.

3. Superport merger plan for Vancouver hubs

Three port authorities (Vancouver, Fraser River and North Fraser port authorities) in Vancouver, British Columbia, have agreed to merge into a single integrated 'superport' that would manage marine and intermodal trade transportation throughout the region. The authorities said that a single port administration would be more efficient for port users. Federal transportation minister Lawrence Cannon in July 2006 asked the authorities to consider becoming one unified port.

4. Giants of the Sea

The new mega ships carry massive loads and though docking is a problem for pilots, shipbuilding is witnessing the biggest boom in container shipbuilding. In August, Maersk launched the longest container ship (1,300 feet long - 11,000 TEUs) and a couple of months later CMA CGM placed an order for eight new

Water Transportation

Canada

1. Shipper groups step up pressure to end carriers' collusive rate setting, October 2, 2006, www.americanshipper.ca
2. Executives: Western Canada ports need to 're-brand', October 4, 2007, www.joc.com
3. Superport merger plan for Vancouver hubs, October 10, 2006, www.joc.com
4. Giants of the Sea, *The Wall Street Journal*, October 10, 2006, pp. B1/B4.
5. Port Officials Welcome New Cargo Service to the Caribbean, October 3, 2006, www.portofhalifax.ca
6. Vancouver Port Authority applauds immediate allocation of federal funding for transportation infrastructure development, October 12, 2006, www.portvancouver.ca
7. Asia-Pacific Gateway and Corridor Initiative welcomed by WESTAC, October 11, 2006, www.westac.ca
8. Port of Vancouver - Accumulated Container Traffic Statistics, September 12, 2006, www.portvancouver.com
9. East Coast wants Atlantic Gateway, *Globe and Mail*, October 18, 2006, p. A7A.
10. U.S. probes Shipping Act anti-trust, October 18, 2006, www.joc.com
11. US liner carrier antitrust immunity up for debate, October 18, 2006, www.americanshipper.ca
12. Stay of Execution, *The Journal of Commerce*, October 2, 2006, p. 30.
13. Carriers plead anti-trust case at Shipping Act hearing, October 20, 2006, www.joc.com
14. Commission frowns on liner carrier antitrust immunity, October 20, 2006, www.joc.com
15. Panama voters back canal expansion, October 24, 2006, www.americanshipper.ca
16. Annual Survey of Water Carriers, October 24, 2006, www.statcan.ca
17. Canada's New Government Invests \$4 Million to Help Keep Bay Ferries Running, October 30, 2006, www.tc.gc.ca

container ships that can carry 4% more [An idea of size can be obtained by noting that a ships of 8, 200 TEUs could fill a train stretching more than 23 miles]. The mega carriers are also putting a strain on port facilities. They are basically employed on the Asia-US West Coast and Asia-Europe trade lanes.

5. Port Officials Welcome New Cargo Service to the Caribbean

On October 3, 2006, Europe West Indies Lines (EWL) made its inaugural call to Halifax, commencing its new liner service from Europe to Canada and from Canada to the Caribbean, the North Coast of South America and Central America.

6. Vancouver Port Authority applauds immediate allocation of federal funding for transportation infrastructure development

Prime Minister Stephen Harper announced details of the "Asia-Pacific Gateway and Corridor Initiative" at the Port of Vancouver's Centerm container terminal in Burrard Inlet on October 11, 2006. Vancouver Port Authority President and CEO Gordon Houston said that the \$591 million federal initiative announced by Prime Minister is vital to the continued success of the Port of Vancouver.

7. Asia-Pacific Gateway and Corridor Initiative welcomed by WESTAC

WESTAC applauds the Government of Canada's Asia-Pacific Gateway and Corridor Initiative announced by Prime Minister Stephen Harper on October 11, 2006 in Vancouver.

8. Port of Vancouver - Accumulated Container Traffic Statistics

Year to date container traffic (TEUs) from January to September 2006 for the Port of Vancouver increased by 27%. Imports rose by 29% and exports rose by 25%. The total TEUs for this period was 1, 294, 985 showing an increase of 26%.

9. East Coast wants Atlantic Gateway

A week after the Prime Minister pledged to build a Western Gateway through British Columbia, Nova Scotia's premier was seeking equal treatment. He wants federal backing of \$400 million for an Atlantic Gateway which include improvement to the Port of Halifax and highway upgrades as far as New Brunswick. He met with the prime minister and said that he was pleased with the discussion.

10. U.S. probes Shipping Act anti-trust

The Antitrust Modernization Commission held a hearing on October 18, 2006 to look at ocean carriers' antitrust immunity. The commission has been on a two-year mission to look at antitrust in all sectors of the economy to see if the laws need to be changed to meet the new economy.

11. US liner carrier antitrust immunity up for debate

The Antitrust Modernization Commission invited a number of parties to appear before it and present their views on whether to abolish liner carrier antitrust immunity. Included in the invitation was EC's directorate general of the Competition Commission as the EC recently withdrew the immunity. Some of the parties supported it and some did not. There was also dissent among the five-person FMC Commission. The NITL, the shipper's group, though not invited prepared a statement and indicated that the US government in consultation with the maritime industry should undertake a review.

12. Stay of Execution

The EU's Competitiveness Council granted European liner conferences a two-year grace period before repealing exemption from the antitrust regulations with its decision of September 25, 2006. After October 2008, price fixing and capacity regulation will no longer be permitted. From now on to that period, the European Commission will decide what kinds of information, if any, carriers will be allowed to share. Carrier's believe that they need to share information and shipper's say that it is tantamount to price fixing.

13. Carriers plead anti-trust case at Shipping Act hearing

Members of the Antitrust Modernization Commission were not sympathetic to witnesses who tried to make a case for ocean carriers' antitrust immunity under the *Shipping Act of 1984* during a hearing on October 18, 2006. However, the final outcome will depend on what Congress does.

14. Commission frowns on liner carrier antitrust immunity

A 12-member panel of antitrust attorneys made clear its dislike for liner carrier antitrust immunity and praised the European Commission for its recent decision to abolish this privilege, during a hearing in Washington. Commissioner Debra Valentine of the Antitrust Modernization Commission said "Shame on us that we are trailing behind" the European Union. The commission expects to issue its recommendations in a report to Congress by April 2007.

15. Panama voters back canal expansion

In a national referendum on October 22, 2006, Panamanians voted in favour of a massive expansion of the Panama Canal. It is estimated that 78 percent backed the expansion, a \$5.25 billion project.

16. Annual Survey of Water Carriers

The 2004 Annual Survey of water carriers by Statistics Canada indicates that the 114 for-hire marine carriers earned \$129 million in income, as revenues rose 2.1% to \$2.6 billion in 2004. This modest increase in revenue was slightly outpaced by a 2.9% gain in expenses. The for-hire sector recorded \$2.1 billion in liabilities against \$2.9 billion in assets.

Government carriers had \$809 million in revenues and \$816 million in expenses in 2004.

17. Canada's New Government Invests \$4 Million to Help Keep Bay Ferries Running

The Government announced on October 30, 2006 that it has reached an agreement in principle with Bay Ferries Limited to ensure that the Digby-Saint John ferry service will continue to run for another two years. Four million in federal support will cover repairs and maintenance of federal-leased assets:

RAIL TRANSPORTATION

1. Canadian Pacific Railway appoints Executive Vice President, Chief Financial Officer

President and Chief Executive Officer of Canadian Pacific Railway announced on October 4, 2006 the appointment of Michael R. Lambert as Executive Vice President and Chief Financial Officer of the Company.

2. CN moves Toronto GO Transit passenger train to Montreal's l'Agence metropolitaine de transport (AMT) free of charge

CN waived all fees for transporting passengers on its main line from Toronto to Montreal to assist AMT cope with increased passenger demand following the collapse of an overpass on Highway 19 in Laval, Que.

3. GAO report said capacity challenges loom for railroads

The US railroad industry's health has improved since the passage of the *Staggers Rail Act*. Rail rates have generally declined between 1985 and 2000 and increased slightly from 2001 to 2004. Concerns about captivity remain as traffic is concentrated in fewer hands. It is difficult to determine the number of captive shippers nevertheless the limited data indicate that the extent of captivity appears to be dropping. The Surface Transport Board has taken action to improve rate relief processes and address competition and captivity concerns.

4. CPR captures 2006 American Honda's "Rail Origin of the Year" award

Canadian Pacific Railway has been awarded the "Rail Origin of the Year" award by American Honda Motor Co. The award recognizes the railway's excellent performance in four key areas; on-time performance, damage prevention, equipment supply and equipment placement and pre-tripping.

5. Trainmen on CN's former GTW territory renew hourly-rate labor contract

CN announced on October 16, 2006 the renewal of an hourly-rate labor contract by approximately 300 members of the United Transportation Union (UTU) who work on the company's former Grand Trunk Western (GTW) territory.

6. CN posts 27 per cent increase in Q3 2006 EPS [earnings per share], revises upwards 2006 full-year earnings guidance, expects solid 2007 financial performance

CN announced its third-quarter results for 2006 on October 19, 2006. The highlights for the second quarter compared to the same period in 2005 were: net income of C\$497 million, up 21%; and operating income of C\$844 million, up 21%; operating ratio of 57.4, down 5.9 points from the previous quarter. CN's President and CEO indicated that "CN produced exceptional third-quarter results, reflecting substantial revenue growth, asset utilization and cost control accomplishments. Revenues increased nine per cent, freight volume was up six per cent, and carloadings improved by two per cent."

7. CN declares fourth-quarter 2006 dividend

CN announced on October 19, 2006 that its Board of Directors has approved a fourth-quarter 2006 dividend on the company's common shares outstanding of sixteen-and-one-quarter cents.

8. Canadian Pacific Railway announces a strong third quarter

On October 24, 2006, CPR reported that its third quarter net income was \$162 million, a decrease of \$42 million over the same period in 2005. The lower net income was due primarily to the impact of foreign exchange on long-term debt and a one-time special reduction to an accrual taken in the third-quarter of 2005. The highlights for the third quarter of 2006 compared to the third quarter of 2005 were: operating ratio improved 3.2 percentage points to 74.2 per cent from 77.4; freight revenue increased 4 per cent to \$1,222 million; operating expenses remained virtually flat at \$854 million, despite higher fuel prices; and earnings per share (diluted) increased 26 per cent to \$1.06. Fred Green, CPR President and CEO said "I am very pleased with our results."

9. Canadian Pacific rolls past estimates

Canada's second-largest railway expects earnings of between \$3.60 and \$3.85 a share in 2006, excluding foreign exchange gains and losses on long-term debt and other specified items. CPR's president and chief executive officer Fred Green told analysts that "It is possible that we will exceed the top end of our earnings guidance by up to 10 cents [a

Rail Transportation

Canada

1. Canadian Pacific Railway appoints Executive Vice President, Chief Financial Officer, October 4, 2006, www.cpr.ca
2. CN moves Toronto GO Transit passenger train to Montreal's AMT free of charge, October 4, 2006, www.cn.ca
3. GAO report said capacity challenges loom for railroads, October 10, 2006, www.gao.gov
4. CPR captures 2006 American Honda's "Rail Origin of the Year" award, October 12, 2006, www.cpr.ca
5. Trainmen on CN's former GTW territory renew hourly-rate labor contract, October 16, 2006, www.cn.ca
6. CN posts 27 per cent increase in Q3 2006 diluted EPS, revises upwards 2006 full-year earnings guidance, expects solid 2007 financial performance, October 19, 2006, www.cn.ca
7. CN declares fourth-quarter 2006 dividend, October 19, 2006, www.cn.ca
8. Canadian Pacific Railway announces a strong third quarter, October 24, 2006, www.cpr.ca
9. Canadian Pacific rolls past estimates, October 25, 2006, www.globeandmail.ca
10. Railway carloadings, October 24, 2006, www.statcan.ca

US

1. U.S. rail shippers steaming over fuel surcharges, *Globe and Mail*, October 30, 2006, p. B4.

share].” CPR’s shares rose 71 cents or 1.2 per cent to \$61.73 in 2006 an increase of 25 per cent this year.

10. Railway carloadings

In August 2006, Canadian railroads recorded their busiest month as loadings surpassed 25.1 million metric tonnes of freight. Tonnage was up 5.2% from July 2006 which was the highest level of freight for the month of July in six years. Loadings of non-intermodal goods had the biggest impact on August's freight volumes. They were up 5.4% to 22.7 million tonnes, the highest tonnage for the month of August in the past six years. Intermodal loadings, that is, containers and trailers hauled on flat cars, increased 3.6% from July 2006 to 2.4 million metric tonnes, which was also the highest level ever for the month of August 2006.

HIGHWAY TRANSPORTATION

1. Completion and Opening of Transportation Corridor in Sault Ste. Marie

Government officials opened the new transportation corridor leading to the Sault Ste. Marie International Bridge. A total of \$11.2 million was shared between the Government of Canada and the Province of Ontario. The City of Sault Ste. Marie also contributed \$1.4 million for construction, as well as \$6.3 million for the purchase of required property. Sault Ste. Marie is the 9th busiest Canada-United States.

2. Canadian Trucking Alliance Reaffirms Support for Cabotage Liberalization

In an attempt to provide for greater flexibility and improve productivity, the CTA board of directors endorsed a campaign calling for the elimination of restrictions on empty trailer moves by foreign truck drivers operating in either Canada or the United States. This is seen as an important step in the improvement of cross-border productivity, as it would reduce driver wait times and allow for more efficient equipment utilization.

3. Super Clean Truck Fuel Starts Today in Canada

On October 15, 2006, Canada’s transport trucks will be cleaner and greener when they begin running on ultra low sulfur diesel (ULSD) fuel. David Bradley, CEO, Canadian Trucking Alliance said that “With the combination of ultra-clean truck diesel fuel and cleaner truck engines, there will be a drastic reduction in truck emissions that cause smog.” Other measures being promoted by the trucking alliance is the mandatory activation of speed limiters on all trucks, the removal of regulatory obstacles to the introduction of wide-base tires, anti-idling devices and aerodynamic fairings.

4. Canadian Trucking Alliance [CTA] Applauds Federal Opposition To US Border Inspection Plan

The CTA on October 16, 2006 said that it is pleased to see that the Government of Canada has made a formal request to the US Department of Agriculture to withdraw a rule that is slated to come into force on November 24, 2006 that would impose new fees and inspections on passengers and goods crossing the border from Canada into the US. About \$75 million in new fee revenue would be raised to hire over 130 new agriculture inspectors at the land border to check for off-shore fruits, vegetables and cut flowers that are being fraudulently labelled as produce of Canada and then being shipped to the US. The fees would apply to all trucks entering the US whether hauling agricultural products or other goods like.

5. Large urban transit

Passenger trips on ten large Canadian urban transit systems in August 2006 were 99.1 million accounting for about 80% of total urban transit. This was 5.3% higher than it was for the same month in 2005. The trips generated \$164.6 million in revenue in August 2006 (excluding subsidies), a 7.9% increase over August 2005.

6. Greater Toronto Area and Hamilton Smart Commuter Initiative

The Greater Toronto Area municipalities and the City of Hamilton will create a new public-private partnership to promote transportation demand management (TDM) practices and to reduce greenhouse gas emissions from transportation across the region. Auto travel is expected to increase by 55% over the next 20 years between the two areas. The initial budget is \$8 million.

Highway Transportation

Canada

1. Completion and Opening of Transportation Corridor in Sault Ste. Marie, September 29, 2006, www.tc.gc.ca
2. Canadian Trucking Alliance Reaffirms Support for Cabotage Liberalization, October 4, 2006, www.cantruck.ca
3. Super Clean Truck Fuel Starts Today in Canada, October 16, 2006, www.cantruck.ca
4. Canadian Trucking Alliance Applauds Federal Opposition To US Border Inspection Plan, October 16, 2006, www.cantruck.ca
5. Large urban transit, The Daily, October 18, 2006, www.statcan.ca
6. Greater Toronto Area and Hamilton Smart Commuter Initiative, October 18, 2006, www.tc.gc.ca
7. Minister Confirms Federal Bridges Are Safe, October 23, 2006, www.tc.gc.ca
8. Attorney General Of Canada Challenges Court Decision in St. John’s Taxi Case, October 20, 2006, www.cb-bc.ca

US/EU

1. BTS Releases North American Surface Trade Numbers for July: July Surface Trade with Canada and Mexico Rose 12.6 Percent from July 2005, September 29, 2006, www.dot.gov

7. Minister Confirms Federal Bridges Are Safe

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on October 23, 2006 that all federal bridges within his portfolio have been inspected and responsible authorities have confirmed that they are safe and secure for public use.

8. Attorney General of Canada Challenges Court Decision in St. John's Taxi Case

The Attorney General of Canada filed an application on October 18, 2006, challenging a provincial court decision to discharge 12 accused charged with *Competition Act* violations in the St. John's Taxi case further to a preliminary inquiry into the charges.

OTHER TRANSPORTATION

1. Security bill sails through Congress

Congress has overwhelmingly passed the legislation (*Security and Accountability for Every Port Act*) on September 30, 2006 aimed at improving international supply-chain security while giving shippers that demonstrate the best security practices expedited treatment for their cargo.

2. The Government of Canada has tabled Canada's *Clean Air Act* to help protect human health and the environment by taking an integrated approach to reducing emissions of both air pollutants and greenhouse gases

The Government of Canada has tabled the *Clean Air Act* to protect the health of Canadians, their environment and the economy. The issues associated with pollution are: smog, acid rain, transboundary movement of pollutants, indoor air pollution and land use. Pollution arises from a number of sources such as burning of fossil fuels, transportation, various industries, heating of homes, etc.

3. Travel between Canada and other countries

Same-day car travel from the United States continued to plummet in August 2006 as American travel to Canada continued to fall. The decline was 0.9% from the previous month and a 8.7% from July 2005. Travel to the United States in August 2006 climbed to 3.34 million trips, up 0.1% from June 2006, and up 4.4% from a year ago. Trips from overseas markets improved in August compared to July 2006. Travel from Canada's four most important overseas markets all recorded small increases in August 2006 from the previous month but showed declines from the previous year, with Japan being the steepest (-9.3%) for the year-to-date.

Other Transportation

1. Security bill sails through Congress, October 3, 2006, www.ioc.com
2. The Government of Canada has tabled Canada's *Clean Air Act* to help protect human health and the environment by taking an integrated approach to reducing emissions of both air pollutants and greenhouse gases, October 20, 2006, www.tc.gc.ca
3. Travel between Canada and other countries, October 19, 2006, www.statcan.ca

Publications

1. Unbridling Canada: Why A New International Air Policy is Imperative for a Competitive Canada, www.cacairports.ca