

Transportation Information Update*

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July 2005, No. 11

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AIR TRANSPORTATION

1. Air Canada expands service to Asia with Inaugural of non-stop Toronto-Seoul service; build Toronto hub as gateway to Asia

On July 1, 2005, Air Canada inaugurated its first-ever non-stop flight to Seoul from Toronto. It will operate three times a week complementing its daily non-stop flights from Vancouver to Seoul. The Toronto routing will save travellers three hours and twenty minutes.

2. Air Canada slips on Boeing Order list

According to an airline source, Air Canada and Boeing no longer have any realistic hopes of reviving the original \$6-billion order. This will require Air Canada to renegotiate a new deal with Boeing. The key is Air Canada's ongoing dispute with their pilots. Once this is resolved, Air Canada would re-engage in discussions with Boeing, according to Air Canada's spokeswoman.

3. Air Freight Wars taking off - Freight flap takes flight

Cargojet has seen its business increase since its launch in 2002. However, with an increase in demand for cargo service and the entry of Air Canada into the all-cargo business, Cargojet feels that it is facing new challenges from Air Canada. First, Air Canada cancelled a contract with Cargojet to fly freight between Toronto and Calgary. Second, Cargojet was planning to serve the Toronto-China market but this together with Air Canada's plan to serve Toronto-Shanghai with a stop at Calgary have added to their concerns since Cargojet has a monopoly of the Toronto-Alberta cargo market. Cargojet's objection to the use of Calgary as an intermediate stop has raised the issue of whether Air Canada's application to serve the Toronto-Shanghai market is in the public interest. Third, Cargojet claims that Air Canada's is after the same aircraft from the same operator that they were planning to wet lease. They claim that they want a level playing field (without exemptions). The chief executive stated that "It's a typical case of trying to put a smaller guy out of business."

4. Air Canada, WestJet traffic up

Both carriers, Air Canada and WestJet, indicate increases in traffic. Air Canada reported a system load factor of 81.3% in June 2005, the highest ever for June. Its domestic load factor increased by 3.1% to 81.2% over the year. These increases occurred despite an increase in capacity. WestJet's load factor increased to 73.5% in June 2005 from 71.9% in June 2004. For the first six months of 2005, WestJet reported an increase in its load factor of 4.6%.

5. Aircraft Movement Statistics

The number of landings and take-offs at the 42 Canadian airports with NAV Canada air traffic control towers decreased by 1.5% to 358, 132 for March 2005 from 363, 529 a year ago. Toronto's Pearson airport movement was the most active airport.

6. Air Canada to serve Delhi via Zurich with introduction of year-round daily service to Switzerland and India

Air Canada indicated it will serve Delhi via Zurich on a daily year-round basis from Toronto beginning October 30, 2005. The startup of flights to India via Switzerland will allow Air Canada to re-introduce year round service to Zurich while improving its schedule to India from its current three times a week service.

7. WestJet aims to add extras - for a price

WestJet is seeking to add frills by bundling user-pay service abroad upgraded

* 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 responsible for it.

Current Developments in Brief

Air Transportation

CANADA

1. Air Canada expands service to Asia with Inaugural of non-stop Toronto-Seoul service; build Toronto hub as gateway to Asia, July 1, 2004, www.aircanada.ca
2. Air Canada slips on Boeing Order list, *Globe and Mail*, July 5, 2005, pp. B1-B5.
3. Air Freight Wars taking off - Freight flap takes flight, *National Post*, July 6, 2005, p. FP3.
4. Air Canada, WestJet traffic up, July 7, 2005, www.globeandmail.com /Air Canada reports fifteenth consecutive month of record load factors for June, July 7, 2005, www.aircanada.ca / WestJet's June load factor increases to 73.5%, July 7, 2005, www.westjet.ca
5. Aircraft Movement Statistics, Volume II, March 2005, July 7, 2005, www.statcan.ca
6. Air Canada to serve Delhi via Zurich with introduction of year-round daily service to Switzerland and India, July 8, 2005, www.aircanada.ca
7. WestJet aims to add extras - for a price, July 9, 2005, www.westjet.ca
8. WestJet announces completion of sale of 737-200 fleet, July 12, 2005, www.westjet.ca
9. Deaf-blind man posed air safety hazard: Tribunal, *National Post*, July 12, 2005, p. A6.
10. Airline warned about serving disabled, *Globe and Mail*, July 15, 2005, p. B5.
11. A summit of significance for Air Transport - effective follow-up needed, July 13, 2005, www.iata.org
12. Investigation: Air Safety and the TSB, *National Post*, July 15, 2005, www.nationalpost.ca
13. High fuel costs force airlines to scramble, *National Post*, July 15, 2005, p. FP5.
14. Air Canada to cancel Charlottetown route, *Globe and Mail*, July 18, 2005, www.globeandmail.com
15. Binns says Air Canada mistreating PEI, July 18, 2005, www.aircanada.ca
16. WestJet may broaden Toronto-PEI service, *Globe and Mail*, July 20, 2005, p. B5.
17. Air Canada continues route expansion with more non-stop flights and improved schedules across Canada and the United States, July 18, 2005, www.aircanada.ca
18. Ottawa nixes Air Canada lease of US jet for Toronto-Calgary cargo link, July 20, 2005, www.nationalpost.ca
19. WTO to probe alleged illegal aid for Boeing and Airbus, *National Post*, July 21, 2005, p. FP 16.
20. Airport Movement Statistics, Vol. I, April 2005, July 20, 2005, www.statcan.ca
21. Airport Movement Statistics, Vol. II, February 2005, July 21, 2005, www.statcan.ca
22. Aircraft movement statistics, *The Daily*, July 21, 2005, www.statcan.ca

planes. The carrier is hoping to boost its revenue by charging for frills at the same time providing service that may be viewed favourably by the corporate travel market.

8. WestJet announces completion of sale of 737-200 fleet

WestJet has completed its sale of its Boeing 737-200 fleet to Miami based Apollo Aviation Group. It currently has ten 737-200 left. Beginning March 2006, WestJet will operate state-of-the-art next generation 737 aircraft.

9. Deaf-blind man posed air safety hazard: Tribunal

The Transportation Tribunal has ruled that Air Canada was right to insist a deaf-blind man travel with an attendant citing safety concerns a top priority. The decision indicated it is irresponsible to expect flight attendants and other passengers to attend to the needs of one passenger. The president of the Canadian National Society of the Deaf and Blind indicated that she was unhappy with the decision especially as blind people cannot afford to buy two seats.

10. Airline warned about serving disabled

In a ruling on July 15, 2005, the Canadian Transportation Agency [CTA] told Air Canada to overhaul its on-line reservation system to better accommodate people with disabilities as the system lacks information for persons with disabilities. Air Canada indicated that it is studying the interim CTA decision and will respond to the CTA.

11. A summit of significance for Air Transport - effective follow-up needed

At the G8 Summit civil aviation, issues related to: security, climate change, development and effective follow-up were discussed. IATA welcomed the G8 Summit commitment to a standardized and coordinated approach to security centred on the

International Civil Aviation Organization with appropriate consultation; and air transport and climate change focussing on improving fuel efficiency and reducing emissions through operational enhancements. However, IATA strongly opposed any levy to finance development projects to single out air transport.

12. Investigation: Air Safety and the TSB

Canada's Transportation Safety Board investigates about 800 air traffic accidents. The *National Post* puts the following questions to its readers: does the public have a right to know about serious incidents that occur in the skies? What type of disclosure is needed?

13. High fuel costs force airlines to scramble

Airlines are feeling the effect of high fuel prices. Some are seeking to raise price to offset the increased costs and some are seeking other ways to deal with this matter. Air Canada and WestJet last month raised their fares. In addition, Air Canada attempted to buy new planes but failed as it did not get agreement from its pilot union and WestJet is replacing its older Boeing 737-200 with more fuel efficient next generation aircraft. WestJet is also using 'winglets', vertical extensions on the tips of the wings, to help improve performance and fuel efficiency. Neither of the carriers have fuel hedging strategies. However, Air Canada is increasingly purchasing its fuel offshore and is negotiating contracts.

14. Air Canada to cancel Charlottetown route

Air Canada is cancelling its Toronto-Charlottetown fall and winter flights because of PEI's subsidies for rival WestJet. Air Canada had numerous discussions with PEI officials but claimed that it did not succeed in levelling the playing field. Air Canada's subsidiary, Jazz, will provide year-round flights to Halifax and Montreal from the PEI capital and will resume its Toronto-Charlottetown service next spring before it becomes dormant in October 2006.

15. Binns says Air Canada mistreating PEI

PEI Premier Pat Binns accused Air Canada of mistreating his province by using small planes that have an effect on tourists. The Premier defended his government's support of subsidies for WestJet. He hopes that Air Canada will change its decision of not providing fall and winter Toronto-Charlottetown service.

16. WestJet may broaden Toronto-PEI service

Westjet is considering extending its Toronto-Charlottetown service beyond summer using smaller aircraft if it is economically viable. If this service with smaller aircraft is introduced it could be limited to two or three times a week from the current daily service.

17. Air Canada continues route expansion with more non-stop flights and improved schedules across Canada and the United States

New routes and additional flights to be provided by Air Canada and Jazz were announced on July 18, 2005. It began non-stop services between Vancouver-San Diego, Abbotsford-Toronto, Abbotsford-Calgary, Calgary-Newark and Calgary-Orlando. It is also improving service by providing more flights across its network. The carrier will service 60 destinations in Canada and 50 destinations in the United States.

18. Ottawa nixes Air Canada lease of US jet for Toronto-Calgary cargo link

Transport Minister, Jean -C. Lapierre, has denied Air Canada's application to pick up and drop off cargo in Calgary using

23. WestJet sets flight bold new campaign, *National Post*, July 28, 2005, p. FP3.

24. WestJet Airlines' Q2 profit declines to \$2.3 million from year-ago \$7.5 million, July 28, 2005, www.nationalpost.ca

US/EU

1. Lufthansa receives antitrust approval for takeover of Swiss, July 11, 2005, www.ctl.ca

2. BTS releases April airline traffic data; four-month domestic traffic up 5.5 percent from 2004, July 14, 2005, www.dot.gov

3. Northwest typifies airline industry woes, *Globe and Mail*, July 16, 2005, p. B7.

4. BTS Releases May Passenger Airline Employment Data; May 2005 Employment Down 3.2 Percent from May 2004, July 19, 2005, www.dot.gov

5. Lufthansa cargo gets green light to buy Swiss World cargo, July 21, 2005, www.americanshipper.com

6. Air cargo levels off, *American Shipper*, August 2005, pp. 44-45.

7. Airbus aid distorts market, *National Post*, July 25, 2005, p. FP 15.

8. Reduced global economic activity reflected in freight slowdown, July 28, 2005, www.iata.org

a wet lease. While Air Canada was disappointed saying that it will deprive shippers service between Toronto and Calgary together with direct cargo service to the Chinese market, its competitor Cargojet praised the decision indicating that it endorsed the views of the industry and did not meet the public interest requirements to be beneficial to Canadian industry.

19. WTO to probe alleged illegal aid for Boeing and Airbus

The WTO has launched a probe into alleged illegal state aid for aviation giants Airbus and Boeing. Panels have been set up to investigate accusations by Washington and Brussels involving billions of dollars. The dispute has received attention because Airbus plans to introduce a new airliner that will compete with Boeing's 787. Airbus overtook Boeing as the world's largest commercial aircraft maker in 2003.

20. Airport Movement Statistics, Vol. I, April 2005

Canadian airports (42) with NAV CANADA air traffic control towers reported a decrease in take-offs and landings of -0.5% to 376,230 for April 2005 compared to 378,121 for April 2004. Toronto's Pearson airport was the most active of the airports.

20. Airport Movement Statistics, Vol. II, February 2005

Canadian airports (104) without air traffic control towers reported a decrease in take-offs and landings of -2.6% to 35,836 for February 2005 compared to 36,777 for February 2004. Goose Bay was the most active of the airports.

22. Aircraft movement statistics

Forty-two airports with NAV CANADA air control towers reported that aircraft take-offs and landings were down in June 2005 by 6.3% to 387,881 compared to 413,927 in June 2004. The top ten airports showed itinerant movements (flights from one airport to another) ranging from increases of 3.8% at Calgary International to a decline of 15.3% at Toronto / Buttonville Municipal airport.

23. WestJet sets flight bold new campaign

WestJet is making a major attempt to capture travellers in the eastern Canadian market. It has undertaken a major advertising campaign at Terminal 1, added more flights between Toronto and Vancouver, added better flight times for service in the Eastern triangle to capture the business travel market and replaced its Boeing 737 fleet with a more efficient fleet. The airline is also planning to develop Toronto as a centre for WestJet's domestic and transborder operations. Some analyst's believe that it will make profits in the second quarter of 2005 after two quarters of continuous losses.

24. WestJet Airlines' Q2 profit declines to \$2.3 million from year-ago \$7.5 million

WestJet Airlines indicated that its second quarter profit for 2005 dropped to \$2.3 million from \$7.5 million a year ago as fuel costs increased by 29 per cent over the period. Revenue for the same period was \$326 million up from \$257 million a year ago. Capacity grew with available seat miles increasing by 23.3 and the load factor increased by 3.5% to 71%.

WATER TRANSPORTATION

1. Breakthrough in talks seen in Vancouver trucking dispute

A breakthrough was reported in the trucking dispute with 1,200 container truck drivers in Vancouver. However, an agreement has not yet been reached. The strike is stalling passage of goods valued at \$30 million a day through the port.

2. Vancouver strike talks collapse

Negotiations to end the independent container truckers strike collapsed on July 5, 2005. The negotiations partly failed because 20 of the motor carriers who employ the truckers did not attend and 30 of them who attended were unable to offer meaningful rates. The motor carriers also refused to raise pay rates.

3. Vancouver port crisis feared

A government appointed mediator called off negotiations on July 4, 2005 after about 1,200 truckers and their employers failed to reach a labour deal. Delayed deliveries (\$30 million daily) can cost exporters as much as 75% of their value and a loss of customers. Some customers are considering using nearby ports such as Seattle.

4. Port joins Vancouver strike talks

On July 5, 2005, Port of Vancouver mediator indicated that he would not schedule further discussions between the drivers and trucking companies until one side or another formulates a 'reasonable' proposal. The port indicated that it won't agree to the demands by drivers for higher wages according to the motor carriers. The Vancouver Container Terminal Association plans to appeal to terminal operators to join the negotiations.

5. Vancouver Port urges truckers back on job

Water Transportation

Canada

1. Breakthrough in talks seen in Vancouver trucking dispute, *Globe and Mail*, July 5, 2005, p. 5.
2. Vancouver strike talks collapse, July 5, 2005, www.joc.com
3. Vancouver port crisis feared, *National Post*, July 6, 2005, p. FP6.
4. Port joins Vancouver strike talks, July 6, 2005, www.joc.com
5. Vancouver Port urges truckers back on job, *National Post*, Monday, July 11, 2006, p. FP3.
6. No progress in Vancouver strike, July 14, 2006, www.joc.com
7. Vancouver to bar truck containers, July 18, 2005, www.joc.com
8. Reprieve for Vancouver boxes, July 18, 2005, www.joc.com
9. CN reports backlogs in Alberta as container trucker strike drags on, July 20, 2005, www.ctl.ca
10. Importers: Vancouver a 'choke point', July 21, 2005, www.joc.com
11. Halifax key call for CSCL, July 18, 2005, www.joc.com
12. Government of Canada expands aerial surveillance program to detect illegal discharges from ships in the Arctic, July 19, 2005, www.tc.gc.ca

The Vancouver Port Authority urged striking workers back to work in a bid to get trucks moving into Canada's busiest port. Since the talks were called off, the trucker's association has tabled a one-year proposal calling for minimum pay of \$75 an hour and a 15% surcharge to cover soaring fuel costs.

6. Stakes Rising in Vancouver Port Strike

The Brokers who hire the truckers have filed six lawsuits in the Supreme Court of British Columbia under the *Competition Act*. The brokers accuse the Vancouver Container Truck Association of "intimidation and a conspiracy to unduly prevent, lessen, restrain or injure competition in the transportation of products" and have asked the courts to force the truckers back to work. It is expected that the port would be forced to turn away cargo ships loaded with goods from Asia by the end of this week due to capacity problems at Vancouver terminals. It has also been reported that there has been some attempt by truckers to obtain support from truckers at other ports (US).

6. No progress in Vancouver strike

The Canadian government said it had no plans to intervene in the truckers strike at the Port of Vancouver after talks between the drivers and carriers broke down. An inquiry into drivers working conditions will be conducted once drivers are back to work or until the British Columbia heard from the mediator.

7. Vancouver to bar truck containers

The Port of Vancouver will refuse containers meant for transport by truck beginning the weekend July 16/17, 2005 as the container truck strike enters its fourth week. The brokers offered an average of 18 percent in rates this year and ten next year but the drivers wanted rates up to 60%. The federal government has no plans to intervene and no new talks are scheduled.

8. Reprieve for Vancouver boxes

Two terminals, Deltaport and Vanterm, that had decided to refuse containers meant for truck delivery decided to postpone refusing these containers as the congestion at these terminals is not as bad as expected. Instead of the date for this refusal being July 15, it is now July 22 for Deltaport and July 23-24 for Vanterm.

9. CN reports backlogs in Alberta as container trucker strike drags on

CN reports that it's Alberta terminals are jam-packed with containers as a result of the container truckers strike in Vancouver. It indicated that it must stop accepting diversion requests to Calgary and Edmonton as those terminals are now near capacity. The Canadian International Freight Forwarders Association has voiced displeasure at the lack of progress in the negotiations.

10. Importers: Vancouver a 'choke point'

Canadian shippers called on Vancouver container truckers to end their strike and return to the negotiating table. I.E. Canada, the Canadian Association of Importers and Exporters indicated that the four-week strike has turned the Port of Vancouver "into a choke point of international trade". Their President said that "Dialogue and compromise between the truckers and the trucking company/brokers must urgently replace confrontation."

11. Halifax key call for CSCL (China Shipping Container Lines)

CSCL will begin its new round the world service beginning on July 20, 2005. Halifax will be the first North American port of call. The service will be operated with ten new 4, 250 TEU class container vessels.

12. Government of Canada expands aerial surveillance program to detect illegal discharges from ships in the Arctic

Government officials on July 19, 2005 announced that aerial surveillance programs related to ice breaking in the Arctic will now include detection of illegal discharges from ships. This is the first time that Arctic aerial pollution is conducted.

13. Freight rates for shipping commodities falls as global fleet of ships expands

The cost of shipping certain bulk commodities has slipped to its lowest level in two years. It's just simply a situation of over-tonnage in the market according to an analyst at Drewry Shipping Consultants Ltd.

14. Prince Rupert port plan may be sinking

This article raises important questions about the viability of plans for a revitalized northern port in Vancouver, Prince Rupert. It first describes the advantages of the Port of Vancouver. In addition, even if capacity at the Port in Prince Rupert increases, it indicates that it has other problems: only one railway, no local customers and no warehousing and distribution. Its biggest plus right now is that the system in Vancouver is in crisis due to the truckers strike.

13. Freight rates for shipping commodities falls as global fleet of ships expands, *Financial Post*, July 22, 2005, p. FP 11.
14. Prince Rupert port plan may be sinking, *The Globe and Mail*, July 22, 2005, p. B2.
15. Containers clog port, *Financial Post*, July 23, 2005, p. FP6.
16. Port crisis grows, *National Post*, Tuesday, July 26, 2005, pp. FP1-2.
17. Business demands end to BC port strike, July 26, 2005, www.nationalpost.ca
18. Dock strike leaves importers reeling, *Globe and Mail*, July 26, 2005, pp. B1-B6.
19. Vancouver jam forcing diversions, July 26, 2005, www.joc.com
20. Key trade associations call for government action in BC truck dispute, July 27, 2005, www.ctl.ca
21. Vancouver strike talks resume, July 27, 2005, www.joc.com
22. No deal in Vancouver strike, July 28, 2005, www.joc.com
23. New cranes for Vancouver, July, 27, 2005, www.joc.com
24. China said eyeing \$1.8B bid for CP ships, *National Post*, July 29, 2005, pp.FP 1-2.

US/EU

1. EU report adds fuel to conference debate, *The Journal of Commerce*, June 27, 2005, p. 30.
2. Trans-Pacific surcharges loom, July, 18, 2005, www.joc.com
3. Shippers back Maersk-P&O deal, July 21, 2005, www.joc.com
4. Snag for Maersk-P&O buy, July 22, 2005, www.joc.com

15. Containers clog port

Some Vancouver container truck drivers have resumed hauling containers from port terminals. This however is a fraction of normal activity. As a result, freight is moving on a slower scale but it is not moving as economically or as efficiently as the Port authorities would like.

16. Port crisis grows

As the crisis grows, various parties are urging the government to intervene. According to ten business groups that form the B.C. Coalition, Ottawa has the authority to intervene. The strike took a unpleasant turn this weekend as gunshots were fired at a company's trucks that continued to transport containers. Fortunately, no one was hurt.

17. Business demands end to BC port strike

"B.C.'s business community demanded the federal government stop idly watching while the province suffocates under a violent trucker strike at the Port of Vancouver." Business is demanding that the government use section 47 of the *Canada Transportation Act* to force the container truckers back to work. But it appears that this section is designed for extraordinary disputes that are not covered under labour legislation. The strike is costing the province \$75 million a day in transportation costs alone and business leaders say that they are close to having to lay off people. It is also affecting Vancouver's reputation. Violence has also characterized this dispute.

18. Dock strike leaves importers reeling

The Port of Vancouver has estimated that the strike has kept \$500 million worth of goods that would have been moved to wholesalers and retailers. The Retail Council of Canada has warned that as many as Canada's 155,000 small and medium-sized retailers are under threat and that they do not have the financial resources to make alternative arrangements.

19. Vancouver jam forcing diversions

The strike by truckers at the Port of Vancouver has left 25,000 containers - double the normal value - stacked up at Canada's largest import gateway. The schedule (Hamburg Sud) indicated that all Vancouver bound local cargo will be discharged in Portland to accommodate affected service between South America, Australia/New Zealand and Asia.

20. Key trade associations call for government action in BC truck dispute

A number of key organizations such as the Shipping Federation of Canada, the Chamber of Shipping of British Columbia, the Canadian International Freight Forwarders Association and the Canadian Industrial Transportation Association are requesting the government of British Columbia to bring in legislation to restore order to the trucking dispute in Vancouver.

21. Vancouver strike talks resume

Talks are set to resume on July 27, 2005 between employers and striking truckers at the Port of Vancouver bringing optimism that the negotiations could end the month-long work stoppage. About 1,000 independent truckers represented by the Vancouver Truck Association will return to mediated talks with representatives of 49 trucking brokers led by a professional labour negotiator. Both sides appear willing to compromise on the central issue of pay hikes.

22. No deal in Vancouver strike

The negotiator in the Vancouver strike will offer non-binding recommendations to the two sides to consider when talks re-convene Friday. The central issue of rates that the drivers will receive has not been resolved. Even if settlement is reached there will be some time before local container deliveries are back to normal.

23. New cranes for Vancouver

The Centerm terminal at the Port of Vancouver has received two new container cranes that will double its capacity to 720,000 TEUs by March 2006. Each crane is as high as a 35-story building. This will bring the number of cranes at Centerm to five.

24. China said eyeing \$1.8B bid for CP ships

It is rumoured that CP Ships may be considering bids from China Shipping Group and French shipping line CMA CGM for it. They value the company at more than \$1.8billion. CP Ships could not be reached to confirm the rumour.

RAIL TRANSPORTATION

1. New generation rail, steel-imbedded crossties, angular rock ballast key ingredients in CPR's [Canadian Pacific Railway] western capacity expansion

CPR is installing more than 530,000 feet of heavy premium rail, 137,000 crossties and 300,000 tons of rock ballast, as part of its \$160 million program to expand freight capacity this year between the Canadian Prairies and the Vancouver Gateway. The expansion is critical at 25 locations and when completed CPR will have capacity to run 38 trains a day or 4 more per day or 400 freight cars per day.

2. CN locomotive engineers in Canada ratify five-year collective agreements

Rail Transportation

Canada

1. New generation rail, steel-imbedded crossties, angular rock ballast key ingredients in CPR's [Canadian Pacific Railway] western capacity expansion, July 3, 2005, www.cpr.ca
2. CN locomotive engineers in Canada ratify five-year collective agreements, July 4, 2005, www.cn.ca
3. Government of Canada announces funding to continue northern Ontario passenger rail service, July 15, 2005, www.tc.gc.ca

CN and the Teamsters Canada Rail Conference (TCRC) announced on July 3, 2005 the ratification of two five year collective agreements by TCRC members. One agreement applies to CN locomotive engineers across Canada and the other covers engineers working on CN's Northern Quebec Territory.

3. Government of Canada announces funding to continue northern Ontario passenger rail service

Officials of the Government of Canada agreed to extend its funding agreement with the Ontario Northland Transportation Commission in order to continue passenger rail service between Toronto and North Bay. The funding totals \$2.5 million.

4. CN's Canada-based train dispatchers ratify two-year contract extension

CN's three-year contract with the Teamsters Canada Rail Conference/Rail Canada Traffic Controllers has been extended by another two years. It is now a five year agreement till the end of December 31, 2008.

5. CPR and International Brotherhood of Electrical Workers [IBEW] reach agreement on five-year contract with signal maintainers

CPR and IBEW representing 450 employees who maintain railway signal systems announced that they have reached a tentative five-year collective agreement. With this settlement, CPR indicated that it has negotiated settlements with all its unionized employees in Canada.

6. CN announces new share repurchase program, declares third-quarter 2005 dividend

CN announced on July 20, 2005 that its Board of Directors has authorized a normal course issuer to bid for cancellation up to 16 million or approximately six per cent of the common shares outstanding of the company. The new repurchase program will start July 25, 2005 and will end no later than July 25, 2006.

7. CN raises full-year 2005 earnings outlook as second-quarter diluted earnings per share rise 30 percent to \$1.47

CN President and CEO indicated that "CN had a terrific quarter and first half of the year ..." This was shown in the results. Second quarter results for 2005 recorded an increase in net income of 28 percent (i.e., \$416) from the same

quarter last year (i.e., \$326). Second quarter operating income for 2005 recorded an increase of 24 percent compared to the same period last year. For the same period, operating ratio improved by 4.3 percent to 61.2 percent compared to the same period in 2004.

8. CAW [Canadian Auto Workers] wants CN to keep Canadian repairs here

CAW union is seeking an order to uphold a June 10 arbitration ruling. The ruling found that CN was violating its collective agreement with 2,500 CAW members with regard to a contracting clause by sending Canadian based locomotives to CN repair facilities in the United States. CN did not wish to comment on the matter indicating that it was before the courts.

9. Railway carloadings

Carloadings increased by 15.1% from April 2005 to May 2005. The increase (426,000 tonnes) resulted from coal loadings. Overall, May 2005 proved to be an excellent month for all rail carriers across Canada.

10. CPR [Canadian Pacific Railway] boosts record per share 45 per cent in 2nd quarter 2005

CPR President indicated that CPR workers handled a greater workload while major track capacity expansion was being undertaken. The results for the 2005 second quarter were: operating ratio of 75.5 per cent, an improvement of 2.5 percentage points; earnings (diluted) per share of \$0.87 up 34% excluding foreign exchange losses on long-term debt; revenue up 10 per cent to \$1,106million; and operating expenses up less than 2 per cent, excluding significantly higher fuel costs.

11. Canadian Pacific Q2 income increases 47%

Canadian Pacific Railway's [CPR] profit rose 47% in the second quarter despite continued high fuel prices, expansion projects underway and a strike at Port of Vancouver. The earnings were in line with what analysts expected. A slight drop in shipments was offset by the railway's boost in freight rates passing higher costs to customers. CPR said the outlook for the remainder of the year was positive.

12. Railways ride China's commodity boom

Canadian Pacific Railway Ltd. [CPR], Burlington Northern Santa Fe and Union Pacific Corp. each reported second quarter profit increases of 47 percent while CN reported profit increases of 28%. The carriers are benefiting from the increase in global trade, in particular from China. CPR is forecasting continued strong growth for the remainder of the year. The investment by the railways in infrastructure indicates that it is expecting future growth.

4. CN's Canada-based train dispatchers ratify two-year contract extension, July 12, 2005, www.cn.ca

5. CPR and International Brotherhood of Electrical Workers reach agreement on five-year contract with signal maintainers, July 14, 2005, www.cpr.ca

6. CN announces new share repurchase program, declares third-quarter 2005 dividend, July 20, 2005, www.cn.ca

7. CN raises full-year 2005 earnings outlook as second-quarter diluted earnings per share rise 30 percent to \$1.47, July 20, 2005, www.cn.ca

8. CAW wants CN to keep Canadian repairs here, *Financial Post*, Saturday, July 23, 2005, p. FP6.

9. Railway carloadings, *The Daily*, July 26, 2005, www.statcan.ca

10. CPR boosts record per share 45 per cent in 2nd quarter 2005, July 26, 2005, www.cpr.ca

11. Canadian Pacific Q2 income increases 47%, *National Post*, July 27, 2005, p. FP6.

12. Railways ride China's commodity boom, *Globe and Mail*, July 27, 2005, B1/B6.

US/EU

1. Secretary Mineta says Alaska knows how to run a railroad: cites operation as example to follow, July 5, 2005, www.dot.gov

2. Europe's rail liberalization, *American Shipper*, August 2005, p. 58.

HIGHWAY TRANSPORTATION

1. Twinned Section of Highway 16 near Battleford officially open

On July 6, 2005, the Government of Canada and the Province of Saskatchewan announced that a \$7.7 million project of twinned lanes of Highway 16, west of North Battleford has been opened. The cost will be equally shared by both under the Canada-Saskatchewan Strategic Infrastructure Fund.

2. Government of Canada and Province of British Columbia to Fund Intelligent Transportation Systems Research and Development

Federal and Provincial government officials announced an agreement between the governments for research and development of intelligent transportation systems (ITS) in British Columbia. Under the agreement, each will provide up to half a million to establish the Bureau of ITS and Freight Security at the University of British Columbia.

3. For-hire motor carriers of freight, all carriers

For the fourth quarter of 2004, the number of for-hire trucking companies

(with revenues of \$1 million or more) increased to 3,225 from 2,736 a year ago. Over the same period, operating revenues increased 18.9% and operating expenses increased 16.1%. The operating ratio improved, declining to .92% compared to .94% for the period a year ago.

4. Government of Canada and Province of British Columbia to invest \$500,000 in Intelligent Transportation Systems

Ministers from the federal government and province of British Columbia announced an agreement providing for the upgrade and installation of environmental sensor stations in the province. The two governments will each provide \$271,400 to the agreement. The work is expected to be completed by March 31, 2006.

5. New ramps on Highway 1 in BC.: \$2.5 million project to improve access, ease congestion

The Government of Canada and the Province of British Columbia announced on July 26, 2005 the construction of new on and off ramps at the current Highway 1 overpass at 192nd street. The project would ease congestion, improve safety, and result in environmental and societal benefits. This project will cost \$2.5 million and is part of the Strategic Highway Infrastructure program.

6. Couriers and Messengers Services Price Index

The couriers and messengers services price index (CMSPI, 2003=100) rose 9.8% between January 2003 and June 2005. The courier component increased 11.1% and the local messenger component increased 4.1%.

GENERAL

1. New law aims to protect birds, but will shippers flee?

Bill C-15 An Act to Amend the Migratory Birds Convention Act, 1994 and the Canadian Environmental Protection Act, 1999 was assented to on May 19, 2005. The Bill provides stiff penalties in the event of spills in deep sea waters. Some in the marine industry says that it poses serious threat to their ability to do business in Canada. It makes no distinction between deliberate spills of oily bilge and emissions resulting from accident. It could drive the cost of liability insurance up and could have an effect similar to that when the law passed in the U.S.

Current Developments in Brief

Highway Transportation

CANADA

1. Twinned Section of Highway 16 near Battleford officially open, July 6, 2005, www.tc.gc.ca
2. Government of Canada and Province of British Columbia to Fund Intelligent Transportation Systems Research and Development, July 6, 2005, www.tc.gc.ca
3. For-hire motor carriers of freight, all carriers, *The Daily*, July 6, 2005, www.statcan.ca
4. Government of Canada and Province of British Columbia to invest \$500,000 in Intelligent Transportation Systems, July 14, 2005, www.tc.gc.ca
5. New ramps on Highway 1 in BC.: \$2.5 million project to improve access, ease congestion, July 26, 2005, www.tc.gc.ca
6. Couriers and Messengers Services Price Index, *The Daily*, July 28, 2005, www.statcan.ca

US/EU

1. EU seeks intermodal solutions, *American Shipper*, August 2005, 57-59.

Current Developments in Brief

General

CANADA

1. New law aims to protect birds, but will shippers flee?, July 28, 2005, www.ctf.ca

US/EU

1. BTS Releases Transportation Services Index (TSI); Index Rose 0.1 percent in April from March, July 6, 2005, www.dot.gov
2. BTS Releases North American Surface Trade Numbers for May: May Surface Trade With Canada and Mexico rose 8.9 percent from May 2004, July 28, 2005, www.dot.gov

Publications

1. Report on the Security and Prosperity Partnership of North America, June 2005.
2. Performance of Ports and the Intermodal System, US Department of Transportation Maritime Administration, June 2005.