

Transportation Information Update*

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AIR TRANSPORTATION

1. CHC Helicopters selling remaining interest in Canadian Helicopter to trust
CHC Helicopter Corp. indicated that it is selling its remaining 45 stake in its Canadian Helicopters Ltd. subsidiary to a new income trust, Canadian Helicopters Income fund. The deal does not include the company's offshore oil and gas operations in Eastern Canada. Canadian Helicopters is the largest helicopter transportation services operator in Canada with 128 aircraft in 42 locations.

2. Cargo centre taking off

Winnipeg International Airport has been named as one of the fastest growing cargo centres in the world and is number 12 according to Air Cargo World.

3. Air Canada provides update on flight operations

Air Canada has indicated that it has cancelled a limited number of flights on July 31, 2005 on its Airbus narrow body fleet. This is about 4% of its overall schedule. In most instances where this occurred, Air Canada consolidated flights and larger aircraft were scheduled.

4. Transport Minister issues statement on Toronto air crash

Transport Minister released the following statement following the Air France crash at Toronto's Pearson Airport "On behalf of the Government of Canada, I would first like to say that our thoughts and support go out to those impacted by this terrible accident. I am pleased that initial reports indicate that the number of people injured is low and that no fatalities have been reported." Transportation Safety Board will be the lead investigating agency in this accident.

5. Travel Advisory - Air Canada resumes flights to/from Toronto / WestJet comments on Air France incident in Toronto, cancels Toronto flights

Air Canada and Air Jazz indicated that flight operations at Toronto's Pearson Airport on August 2, 2005 will return to normal on August 3 following its closure due to the Air France incident and thunderstorm activity. WestJet President indicated that WestJet is prepared to offer assistance to the Greater Toronto Airports Authority and Air France. It announced some delays and cancellation of 15 flights.

6. Aeroplan president feels no threat if rival follows trust route / Will Air Miles follow Aeroplan lead

The prospect of competition between Aeroplan Income Fund (recently spun off by ACE Aviation Holding Inc.) and Air Miles (subsidiary of Alliance Data Systems Corp. of Dallas) would pose no threat to Aeroplan according to its CEO. Changing Air Miles to an income trust should not change the competitive nature of the competitive dynamics. This view was also supported by an analyst who said that an Air Miles spin-off would change the structure of the company and its valuation, but not necessarily its competitive position in the marketplace as there is not much that Air Miles could do as a public company that it cannot do today.

7. ACE to spin off Jazz / Air Canada parent posts \$168M profit, revenue up 11%; Jazz spinoff planned

ACE Aviation Holdings Inc., parent of Air Canada, indicated that it had a second quarter profit of \$168 million up from a loss of \$510 million a year earlier. It also confirmed that it will spin off its regional airline, Jazz, through an income trust structure. Jazz is valued at over \$1 billion.

Current Developments in Brief

Air Transportation

CANADA

1. CHC Helicopters selling remaining interest in Canadian Helicopter to trust, August 1, 2005, www.nationalpost.ca
2. Cargo centre taking off July, 27, 2005, www.ctl.ca
3. Air Canada provides update on flight operations, July, 31, 2005, www.aircanada.ca
4. Transport Minister issues statement on Toronto air crash, August 2, 2005, www.tc.gc.ca
5. Travel Advisory - Air Canada resumes flights to/from Toronto, August 2, 2005, www.aircanada.ca / WestJet comments on Air France incident in Toronto, cancels Toronto flights, August 2, 2005, www.westjet.ca
6. Aeroplan president feels no threat if rival follows trust route, *Globe and Mail*, August 4, 2005, p. B4 / Will Air Miles follow Aeroplan lead, *National Post*, August 4, 2005, p. FP3.
7. ACE to spin off Jazz, August 4, 2005, www.globeandmail.ca / Air Canada parent posts \$168M profit, revenue up 11%; Jazz spinoff planned, August 4, 2005, www.nationalpost.ca
8. Air Canada Jazz to jump on income trust bandwagon, *Globe and Mail*, August 5, 2005, pp. B1/B4 / ACE to spin off Jazz Airline, *National Post*, August 5, 2005, pp. FP 1/FP5.
9. Air Canada reports highest system load factor for any month ever in July, August 5, 2005, www.aircanada.ca
10. WestJet's July load factor increases to 81.3%, August 4, 2005, www.westjet.ca
11. Air Canada unveils EMBRAER 175 aircraft, spacious new jet with leading-edge amenities key to North America strategy, August 5, 2005, www.aircanada.ca
12. WestJet's proposed restructuring of its share capital meets Canadian ownership and control requirements: Canadian Transportation Agency, August 4, 2005, www.cta-otc.gc.ca
13. Government of Canada moving forward on air passenger assessment, August 5, 2005, www.tc.gc.ca
14. No-fly list in the works, Transport Minister says, *The Globe and Mail*, August 6, 2005, p. A1 / No-fly list by 2006, *National Post*, August 6, 2005, p. A1.
15. Canada's no-fly list will have less than 1,000 names: Minister, *National Post*, August 9, 2004, p. A4.
16. Air Canada, Jazz hike prices, August 11, 2005, www.globeandmail.ca
17. WestJet Airlines, Air Canada tack on second fuel surcharge in two months, August 15, 2005, www.nationalpost.ca / WestJet

* 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.

8. Air Canada Jazz to jump on income trust bandwagon / ACE to spin off Jazz Airline

Since Air Canada emerged from bankruptcy protection, part of its new strategy is to extract value out of diverse operations such as Aeroplan, Jazz, and Air Canada Technical Services. Therefore emboldened by the success of its recent public offering of Aeroplan, Air Canada will spin off its stake in its Jazz regional airline as an income trust. There is some question as to whether Jazz's sale is suitable for income trusts as they require stable cash flow, however its flat fees that it earns from Air Canada may make it suitable.

9. Air Canada reports highest system load factor for any month ever in July

Air Canada reports that it has had the sixteenth consecutive record month of record load factors. The system passenger load factor in July 2005 was 83.6%, the highest on record for any month and the domestic passenger load factor increased to 83.4% the highest ever for July. The latter is a 5.2% increase over July of last year. Capacity decreased by 1.9% for July 2005 and 2% for the year (i.e. July 2004 to July 2005).

10. WestJet's July load factor increases to 81.3%

WestJet's load factor for July 2005 increased by 2.7 percentage points to 81.3% compared with 78.6% in July 2004. Its revenue passenger miles increased by 19.9% to 763.7 million up from 637.2 million in July 2004. At the same time, its available seat miles increased by 15.9% to 939.6 million up from 810.8 million in July 2004.

11. Air Canada unveils EMBRAER 175 aircraft, spacious new jet with leading-edge amenities key to North America strategy

As part of its North American strategy, Air Canada officially unveiled its brand new EMBRAER 175 aircraft. The 73-seat aircraft will employ new standards for air travel and will be initially introduced in key transborder markets: Toronto-Washington; Toronto-Philadelphia; and Toronto-Atlanta. It will also be deployed in other markets.

12. WestJet's proposed restructuring of its share capital meets Canadian ownership and control requirements: Canadian Transportation Agency

The Canadian Transportation Agency issued a decision on August 4, 2005 concluding that the proposed restructuring of the share capital of WestJet Airlines Ltd. which owns WestJet will continue to meet the Canadian ownership and control requirements as defined in the *Canada Transportation Act*.

13. Government of Canada moving forward on air passenger assessment

Government officials announced that it will conduct stakeholder consultations over the summer and fall on the implementation of air passenger information provisions contained in the *Public Safety Act*, 2002. The government is committed to moving ahead with its security agenda and initiatives tied to the safety and security of Canadians.

14. No-fly list in the works, Transport Minister says / No-fly list by 2006

The government may implement a no-fly list similar to the one used in the United States. The government remains concerned about US demands for lists for all flights over neighbouring airspace. US want Canadian airlines to provide lists for all flights that travel through US airspace. The government also remains concerned that people flying from Toronto to Halifax have to be checked against a no-fly US list. The United States has been using a US list since September 11, 2001 incident. The Minister indicated that the program called Passenger Protect would not violate the Charter of Rights and Freedoms of the Constitution.

15. Canada's no-fly list will have less than 1,000 names: Minister

Canada's no-fly list will be restricted to less than 1,000 names which could include individuals from anywhere in the world. The names on the list will be a judgement call of the Minister of Transport on recommendation of the RCMP or CSIS. The US list contains more than 30, 000 names.

16. Air Canada, Jazz hike prices

Air Canada and its subsidiary (Jazz) are raising transborder and domestic ticket prices in response to record high fuel prices. Base prices for domestic flights are being raised \$5, \$8 or \$12 each way and for transborder flights prices are being raised by \$12 each way.

17. WestJet Airlines, Air Canada tack on second fuel surcharge in two months\WestJet Adjusts Base Fares in Response to Increasing Fuel Prices

Beginning August 15, 2005, WestJet will increase its base fares on flights by \$5, \$8, and \$12 each way depending on the distance. For flights under 300 miles the increase will be \$5, for fares between 301 and 1,000 miles it will be \$8 and for fares over 1,000 it will be \$12. This fuel surcharge is the second increase since the June surcharge of \$8, \$10, and \$15 imposed each way. The important question that remains to be answered is how will these surcharges affect demand.

18. Dogfight over Canada

Adjusts Base Fares in Response to Increasing Fuel Prices, August 15, 2005, www.westjet.ca.
18. Dogfight over Canada, *National Post*, August 13, 2005, pp. FP1-FP5.
19. Vancouver to be first airport with new ultra sensitive radar, *Globe and Mail*, August 16, 2005, p. B12.
20. Air Canada may cut bag allowance, *National Post*, August 18, 2005, pp. FP1/4.
21. Air Canada confirms intention to reduce weight of permitted baggage, *National Post*, August 23, 2005, p. FP4.
22. Aircraft movement statistics, *The Daily*, August 19, 2005, www.statcan.ca
23. Aircraft movement statistics: Major Airports, *The Daily*, August 19, 2005, www.statcan.ca

US/EU

1. June's on-time performance improves over previous year, slips from May, August 4, 2005, www.dot.gov
2. BTS releases May airline traffic data: five-month domestic traffic up 5.8 percent from 2004, August 11, 2005, www.dot.com
3. BTS releases June passenger airline employment data; June 2005 employment down 3.4 percent from June 2004, August 16, 2005, www.dot.gov
4. Secretary Mineta announces grants to improve air service to small communities, August 25, 2005, www.dot.gov

In the second quarter of 2005, there was a reversal of fortunes for the two competing carriers, WestJet and Air Canada. The former incurred losses while the latter made a profit. Behind this reversal, there are two competing business strategies - higher sales versus lower costs - and a dash to capitalize on the void left by Jetsgo's failure. So far, Air Canada appears to be winning the race but can it hold on? Air Canada has a strong brand name and a number of components to add value, whereas WestJet does not have that many. A thesis and an analyst report while praising the measures adopted by Air Canada indicated that it will have an uphill battle as it suffers from the problems of all legacy carriers such as labour. WestJet on the other hand has a non-unionized labour force and a homogenous fleet enabling it to keep low cost on these two components.

19. Vancouver to be first airport with new ultra sensitive radar

Vancouver will be the first airport in the world to install a new radar system to detect the smallest piece of debris on the runway next year. The radar will be able to tell the type of debris and hopefully this detection will result in measures to prevent accidents such as the Concorde crash in Paris in 2000 that killed 113 people.

20. Air Canada may cut bag allowance

In an attempt to cut costs, Air Canada is considering ways to conserve on the use of jet fuel including tightening the rules on checked-in-baggage. New rules on baggage limits are being considered (i.e. two bags of 23 kg each or one bag of 32 kg instead of the old 32/45 weight). Excess baggage weight will have to be paid for together with the possibility of an increase in the per kilogram fee. This recent attempt is similar to the decision adopted by some US carriers in light of the sharp increase in jet fuel together with Air Canada's commitment to price its services to reflect cost.

21. Air Canada confirms intention to reduce weight of permitted baggage

Air Canada confirmed that it will tighten its policies on passenger's checked baggage. Under the new policy, passengers who wish to check a bag weighing between 23kg and 32kg will be charged a fee of \$35 on North American flights and \$60 on international flights. Air Canada indicated that the new policy is needed if it is to offer competitive prices.

22. Aircraft Movement Statistics

The number of landings and take-offs at the 42 Canadian airports with NAV Canada air traffic control towers increased by 1.8% to 425,998 for July 2005 from 418,497 a year ago. The year-over-year increases in aircraft movements were reported by half the number of airports in July 2005.

23. Aircraft movement statistics: Major Airports

In May, the number of landings and take-offs at the 42 Canadian airports with NAV Canada air traffic control towers totalled 407,889. This represents a 6.6% change compared to May of 2004. Toronto was the most active airport.

WATER TRANSPORTATION

1. CP Ships in sale talks

CP Ships confirmed on July 29, 2005 that it is in discussions with other companies regarding a possible transaction. However, there is no assurance that a transaction will result from these discussions.

2. The Government of Canada takes action to facilitate negotiation in the British Columbia trucking dispute

Transport Minister and Industry Canada Minister announced on July 29, 2005 federal action to facilitate a negotiated settlement of the trucking dispute at the Port of Vancouver and other ports in British Columbia. "Cabinet has approved action under section 47 of the *Canada Transportation Act*, which establishes a special and time-limited opportunity of 90 days for the parties and other interested groups to discuss and develop an agreement without risking violation of the *Competition Act*." A Task Force will be established to review transportation and industrial issues underlying this problem.

3. Tucking firms reject deal in port strike

Trucking companies involved in a dispute with truck drivers at Vancouver-area ports have unanimously rejected a mediator's proposal that would have ended the strike. The drivers voted 90 per cent in favour of the proposal.

4. Vancouver port strike continues as trucking companies reject mediator deal

The federal industry minister was disappointed after employers rejected a deal that would have ended the strike. The companies rejected some of the rates that they had previously agreed to in the negotiations. The employer's spokesman indicated that the mediator's proposal would have created divisions between the companies in the industry.

Water Transportation

Canada

1. CP Ships in sale talks, July 29, 2005, www.joc.com
2. The Government of Canada takes action to facilitate negotiation in the British Columbia trucking dispute, July 29, 2005, www.tc.gc.ca
3. Tucking firms reject deal in port strike, July 31, 2005, www.nationalpost.ca
4. Vancouver port strike continues as trucking companies reject mediator deal, August 1, 2005, www.nationalpost.ca
5. Trucking companies reject latest proposals, August 1, 2005, www.globeandmail.ca
6. Vancouver strike deal not dead, August 1, 2005, www.joc.com
7. Port of Vancouver implements interim licence agreement for container truckers, August 1, 2005, www.ctf.ca
8. Vancouver port imposes 90-day licence system in truckers' dispute, August 2, 2005, www.nationalpost.ca
9. Ottawa showed lack of interest in port strike: CEO's, *National Post*, August 2, 2005, p. FP2.
10. Vancouver port moves to end strike, August 2, 2005, www.joc.com
11. Proposal could end Vancouver port dispute, *National Post*, August 3, 2005, p. FP. 16.
12. Lower fees bring new cargo to St. Lawrence Seaway, August 2, 2005, www.ctf.ca

5. Trucking companies reject latest proposals

Ottawa will ask Vancouver container ports to come up with an enforcement mechanism to stamp out rampant price undercutting that is at the root of a costly dispute between short-haul drivers and transport companies that service the ports after transport companies rejected a proposal to end the strike. Transport firms are asking Ottawa to impose a 90-day 'cooling-off period' allowing work at ports to resume while a task force is formed to look at ways to fix long-term problems with container transport to and from the ports.

6. Vancouver strike deal not dead

A mediator is trying to salvage a settlement to end the five-week-old truckers strike that has shut down transport of local containers to and from the Port of Vancouver.

7. Port of Vancouver implements interim licence agreement for container truckers

The Vancouver Port Authority says container truckers could be back to work following its decision to issue interim licenses to companies signing statutory declarations that they will adhere to the compensation provisions laid out by the mediator. The objective is to restore trucking operations in the short run while long run solutions can be found.

8. Vancouver port imposes 90-day licence system in truckers' dispute

After a meeting on August 1, 2005, some container trucking companies said that they would accede to the licences of the Port of Vancouver. Other container trucking companies said they would challenge such a move in court. Port spokesman indicated that the imposed licence action is legal because Ottawa has invoked section 47 of the *Canada Transportation Act* which allows the port to set prices that could otherwise be challenged under the federal *Competition Act*. It will be up to the trucking companies whether they want to do business with the ports.

9. Ottawa showed lack of interest in port strike: CEO's

Business leaders in a poll have indicated that by failing to intervene the federal government allowed a labour dispute at the Port of Vancouver to drag on longer than was necessary. They feel that while a free-market oriented approach is fine when there is no problem the government should take a more proactive approach.

10. Vancouver port moves to end strike

The Vancouver Port Authority has instituted an interim 90-day licensing program that will begin on Thursday at Vancouver and nearby Fraser River Ports. It is intended to end the strike by container truck drivers that began on June 27, 2005.

11. Proposal could end Vancouver port dispute

The 90-day interim licence could get the truckers back to work while allowing some time for a long-term solution to be found according to the president of the Vancouver Port Authority. It was suggested that to get the 90-day licence you have to sign a two-year agreement. However, the port denies that there is any such requirement.

12. Lower fees bring new cargo to St. Lawrence Seaway

To encourage short-sea shipping, the President of St. Lawrence Seaway in collaboration with Transport Canada has reduced lockage fees for smaller vessels on the Welland Canal. The President has indicated that this strategy is already beginning to pay off. The Seaway has logged in 81,581 tonnes of new cargo generating revenues of over \$200,000.

13. China's ports giving Vancouver a peek into the future

Container movements from the ports of Shenzhen, Shanghai and Qingdao have risen from 2.4 million TEUs in 1995 to 33.3 million in 2004. This appears staggering but on the other side of the equation the investment in the West coast ports is not keeping up with the growth at China's ports.

14. CMA, CGM, CSCL joint bid for ships: Report

CMA CGM of France and China Shipping Container Lines confirmed that they are teaming up to jointly bid for CP Ships Ltd. Both companies are larger than CP Ships which operates about 80 ships. The acquisition is expected to expand services.

13. China's ports giving Vancouver a peek into the future, *Globe and Mail*, August 3, 2005, p.B1.

14. CMA, CGM, CSCL joint bid for ships: Report, August 3, 2005, www.joc.com

15. Truck movements remain snarled at Vancouver port strike enters sixth week, August 3, 2005, www.cfl.ca

16. Cargo moving out of Vancouver, August 4, 2005, www.globeandmail.ca

17. Truckers begin to chip away at container backlog at port of Vancouver, August 4, 2005, www.cfl.ca

18. Containers move again from Vancouver, August 5, 2005, www.nationalpost.ca

19. Land hol, *The Journal of Commerce*, July 25, 2005, pp. 12-15.

20. Vancouver backlog clearing, August 5, 2005, www.joc.com

21. Government of Canada announces further measures to normalize action at the ports of British Columbia, August 5, 2005, www.tc.gc.ca

22. Government of Canada invests in strategic plan and economic impact study for Atlantic Canada gateway, August 5, 2005, www.tc.gc.ca

23. The government of Canada establishes task force to review issues in the British Columbia trucking dispute, August 8, 2005, www.tc.gc.ca

24. Port strike is over, but backlog continues, *Financial Post*, August 19, 2005, p. FP5.

25. CP Ships boosts forecast, August 11, 2005, www.globeandmail.ca / CP Ships boosts annual forecast as Q2 profit balloons to US \$33m from US\$3, August 11, 2005, www.nationalpost.ca

26. TUI confirms CP Ships talks, August 19, 2005, www.joc.com

27. TUI wins CP Ships for \$2-billion, August 21, 2005, www.globeandmail.ca / German travel-shipping company TUI to buy CP Ships of Canada for \$2 billion, August 22, 2005, www.nationalpost.ca

28. Hapag-Lloyd, CP Ships link makes sense: analyst, *Financial Post*, August 20, 2005, p. FP4.

29. TUI to buy CP Ships for \$2.1 billion, August 22, 2005, www.joc.com

30. Parent company of Hapag-Lloyd buying CP Ships for \$2.3B, August 22, 2005, www.cfl.ca

31. Germany's TUI sends strong message to rivals with \$2.4B deal for CP Ships, August 23, 2005, www.nationalpost.ca

32. Expect more takeovers: CP Ships' boss, *Globe and Mail*, August 23, 2005, p. B4 / 'Bar set High' in CP Ships bidding, *Financial Post*, August 23, 2005, p. FP5.

33. CP Ships could draw new bids, August 23, 2005, www.joc.com

34. Why CP Ships kept its bearings and resisted China's siren call, *Globe and Mail*, August 27, 2005, p. B3.

US/EU

1. EU approves Maersk-P&O deal, July 29, 2005, www.joc.com

2. U.S., EU approve Maersk-P.O., August 1, 2005, www.joc.com

3. FMC to amend NVOCC contract rules, August 4, 2005, www.joc.com

4. Maersk gets 95% of P&O shares, August 5, 2005, www.joc.com

5. Maersk closes P&O buy, August 9, 2005, www.joc.com

6. Maersk: No more deals planned, August 9, 2005, www.joc.com

7. Still no port congestion, August 9, 2005, www.joc.com

15. Truck movements remain snarled at Vancouver port strike enters sixth week

Movement at the Port of Vancouver remained snarled due to the container truck strike as only a handful of trucks attempted to pick up containers. It appears that brokers needed assurances that they would not be locked into accepting the mediator's proposal for the next two years.

16. Cargo moving out of Vancouver

Cargo began moving out of the Port of Vancouver after several companies began to abide by the terms of a temporary licence. Some businesses who diverted their traffic indicated that they will continue using alternative ports such as Seattle, Portland and Miami until everything is back to normal. The dispute cost the Canadian economy an estimated \$500 million.

17. Truckers begin to chip away at container backlog at port of Vancouver

About half the container truck drivers involved in a strike at Vancouver's ports may have returned to work on August 3, 2005 and more drivers are expected back to work on August 4, 2005. However, it is estimated that it could take up to six weeks to move the 25, 000 containers that have been collecting dust during the five/six week strike.

18. Containers move again from Vancouver

Containers are once again moving out of Vancouver port terminals. There are 350 trucking firms employing more than 1,000 truckers, of which 50 or 60 are big ones. The 82 that have agreed to the deal worked out so far include most of the big ones. The task force has 90 days to come up with recommendations to eliminate bottlenecks, undercutting, etc.

19. Land ho!

Canadian ports are looking to different trade lanes for growth while keeping a watchful eye on China. The CEO of the Port of Halifax said that positioning Halifax for Asian trade via the Suez is not wishful thinking but a reality that will happen. Halifax can handle the largest ships today. It is deepening the berths to 55 feet where that depth is not there so as to have depth uniformity. The Port of Montreal is unlikely to enjoy a boom from any direct Asian services via the Suez Canal because it is too far from the Atlantic, not a direct route to West coast ports and it cannot accept big ships, though transshipment is likely to increase. While the Port of Vancouver is struggling with the congestion created by the truckers strike, the Fraser River Port has seen container traffic increase six times since 2001. Vancouver terminals indicate that container traffic is up for the first six months of 2005 by 7 percent. To accommodate this increase, Vancouver has staged a new expansion program over the next 15 years and includes a new terminal at Deltaport.

20. Vancouver backlog clearing

The movement of containers in Vancouver's two largest terminal is underway and could be cleared in less than a week. More than 600 truckers returned to Deltaport to begin moving the 4,000 accumulated import containers on Thursday and about 250 drivers returned to Vanterm to move the 2,000 containers.

21. Government of Canada announces further measures to normalize action at the ports of British Columbia

The Government of Canada has approved further action under Section 47 of the *Canada Transportation Act* directing the Vancouver Port Authority to follow through with its system of licensing for the delivery, pick-up or movement of containers at the port. The action prohibits access to those not complying with the licensing conditions. The Minister of Transport indicated that it is doing everything it can to help settle the trucking dispute.

22. Government of Canada invests in strategic plan and economic impact study for Atlantic Canada gateway

On August 5, 2005, Transport Canada Minister announced that the government of Canada will invest \$125, 000 towards the development of Halifax as a regional transportation hub and as a competitive gateway to Canada and North America. \$50, 000 of the total will be contributed by Transport Canada and \$75, 000 will be contributed by the Atlantic Canada Opportunities Agency. Both investments are being provided to the Halifax Gateway Council.

23. The government of Canada establishes task force to review issues in the British Columbia trucking dispute

Transport Minister announced the creation of a task force on August 8, 2005 to review transportation and other structural and representational issues underlying the recent trucking dispute at ports in Vancouver. The task force will recommend a long-term strategy to facilitate the industry relations, ensure the efficient movement of containers and help improve the effectiveness and reliability of the regional and national transportation network.

24. Port strike is over, but backlog continues

Despite the fact that the truck drivers are back on the job, clearing the backlog is likely to take longer than expected as truckers are reluctant to work extended hours. The port wants truckers to work 24 hours / 7 days a week (as in many Asian countries) but does not want to pay shift differentials. The strike left a certain degree of bitterness and it appears that small and medium retailers will have to bear the costs of any delay.

25. CP Ships boosts forecast / CP Ships boosts annual forecast as Q2 profit balloons to US \$33m from US\$3

After CP Ships profit for the second quarter increased to \$33 million from \$3 million in 2004, CP Ships raised its

8. Maersk-P&O Nedlloyd deal complete, August 11, 2005, www.joc.com

9. Grand Alliance ups capacity by 14%, August 16, 2005, www.joc.com

10. For sale: CP Ships, *The Journal of Commerce*, August 8, 2005, p. 14.

11. Trans-Atlantic volumes are growing moderately, but carriers lament high costs and static rates, *The Journal of Commerce*, August 8, 2005, pp. 18/23.

12. Free at last, FMC ruling on NVO contracting reflects logistics industry changes, *The Journal of Commerce*, August 15, 2005, pp. 12-14.

earnings forecast for the remainder of the year. The results were impressive as it was after a \$9 million adjustment.

26. TUI confirms CP Ships talks

TUI, the parent of Hapag-Lloyd, Germany's largest container line, confirmed that it is in talks with CP Ships about a possible takeover that would create one of the world's largest liner operator. TUI is prepared to pay around \$1.5 billion euros for CP Ships. TUI also indicated it is having talks with other carriers as consolidation in the industry continues.

27. TUI wins CP Ships for \$2b. / German travel-shipping company TUI to buy CP Ships of Canada for \$2b.

CP Ships is being acquired by Hapag-Lloyd AG. This will make Hapag-Lloyd one of the top five container shipping companies in the world. CP Ships is a competitor to Hapag-Lloyd. Hapag-Lloyd is much stronger on transpacific routes than its rival. Hapag-Lloyd is the 13th-largest container shipping company in the world, as measured by capacity and CP Ships ranks 16th. The former has 57 vessels and the latter has 82 vessels and another 17 are on order.

28. Hapag-Lloyd, CP Ships link makes sense: analyst

An analyst indicates that the combination of the two carriers would be complementary bringing together Hapag-Lloyd's Asia-Europe routes and CP ships Australia-Asia routes. The largest impact, however, would be on the Atlantic where the combined shares would account for a quarter of capacity on North Europe-North American routes and about 13% of the capacity on the Mediterranean routes.

29. TUI to buy CP Ships for \$2.1 billion

TUI, the parent of Hapag-Lloyd Container Line, Germany's biggest container line, has agreed to a cash bid for rival CP Ships that will create the world's fifth-largest container carrier. TUI, Europe's largest tourism company, indicated that it will finance the takeover through the sale of 1 billion euros of its shares to current stockholders and with bank loans. The merger will create a company just behind France's CMA CGM, with a fleet of 135 ships with capacity of 406,000 TEU's operating on over 100 routes. The two carriers had a further 26 ships of nearly 110,000TEUs on order. The acquisition needs the regulatory approval in Europe, Canada and USA.

30. Parent company of Hapag-Lloyd buying CP Ships for \$2.3B

TUI, Hapag-Lloyd's parent is acquiring CP Ships for about \$2.3 billion. CP Ships provides international container transportation services in four regional markets: TransAtlantic, Australasia, Latin America and Asia. Within these markets CP Ships operates 38 services in 22 trade lanes. It has 82 ships (container fleet 441,000 TEU's) and owns Montreal Gateway Terminals which operates the largest marine container terminal facilities in Canada. Hapag-Lloyd's main routes are: Europe and Asia, Europe and North America and North America and Asia markets. It has 57 container ships.

31. Germany's TUI sends strong message to rivals with \$2.4B deal for CP Ships

TUI sends a strong message to rivals in its latest bid of \$2.4 billion. TUI calls the takeover a matter of survival after the recent merger of two larger competitors where the largest company bought out the third largest company in the industry.

32. Expect more takeovers: CP Ships' boss / 'Bar set High' in CP Ships bidding

The head of CP Ships has said that the booming Asian trade is forcing a fragmented industry to consolidate to survive. This is the second merger this year and more are expected. "The combined business of Maersk/P&O Nedlloyd is eight times bigger than CP ships. There's very considerable concern not just in our company but elsewhere about competitors being subscale in an industry that is characterized by economies of scale." CP ships has 4,800 people on its staff and Hapag-Lloyd has 4,000 employees. Savings from the merger will be the focus of the deal but job cuts cannot be ruled out. The price per share to be paid has been set quite high indicating the TUI really wants to buy this company.

33. CP Ships could draw new bids

Hapag-Lloyd indicated that it would not be drawn into a bidding battle for CP Ships. However, there is an upper limit to what it will offer despite the fact that CP Ships has spoken with other potential buyers. CP Ships has recommended Hapag-Lloyd's offer to its shareholders.

34. Why CP Ships kept its bearings and resisted China's siren call

CP Ships has stuck to the transatlantic route while shipping companies have reaped large profits from entering the Pacific trade lane. CP Ships believe that their strategy has been to strengthen themselves in the transatlantic by tightening capacity and driving up freight rates. They did not want to pay a big price to buy container ships for the Pacific trade and there were no suitable acquisitions. The recent proposed acquisition of CP Ships by Hapag-Lloyd has largely been a result of the acquisition of Maersk/P&O Nedlloyd and the need for scale economies. Since the two companies operate mostly on different routes, there will not be much overlap in the event of a merger.

RAIL TRANSPORTATION

1. CPR [Canadian Pacific Railway] adds 10 low-volume branch lines to CTA Three-Year Plan

Long term structural changes in the grain handling industry has resulted in CPR updating its three-year network plan for discontinuance with the addition of 10 low-volume branch lines. According to CPR, they are no longer viable as rail traffic has nearly disappeared from these lines. The 412.2 miles of lines are in Saskatchewan, Alberta and Manitoba. Unless new rail operators are found CPR intends to discontinue operations of these lines following the legislated process.

2. CN on track with recent acquisitions

Analysts attribute CN's strong results to its ability in integrating their recent acquisitions of two ore hauling railways, B.C. Railways and Great Lakes Transportation. In addition, its purchase of Wisconsin Central Ltd. and Illinois Central Railroad have provided it access to the Gulf of Mexico. Through its acquisition CN has gained length not duplication.

3. Derailment Update, Squamish

On August 5, 2005, a train out of North Vancouver bound for Prince George derailed approximately 25 miles south of Whistler, B.C. One of the nine cars derailed contained sodium hydroxide.

4. Information Bulletin

On August 3, 2005, a CN freight train derailed near Wabamun, Alberta. An information distribution centre has been set up and cleanup activities are being undertaken.

5. CN faces deadline over Alberta oil spill

The Alberta government has demanded that CN Rail comply with a list of requirements for the clean-up of its oil spill on the Wabamun Lake and surrounding areas. One of these requirements is that CN contain the area of contamination by 1.00 pm on Monday.

On August 3, 05, a dozen cars ruptured spilling 733,000 litres of bunker C fuel oil and pole oil.

6. PR 101: How CN botched damage control

There appears to be a great deal of anger from the residents of Lake Wabamun at CN's handling of the oil spill. It has been pointed out that: first, CN failed to move quickly to clean up the spill; and second, there was even more delay in informing authorities and the public about the threat posed by the pole-treating oil. A oil-spill expert hired by the province says that CN moved as quickly as could be expected. However, it made a large mistake of not providing much more information earlier on of what was in the spill (toxic pole-treating oil). One way to make up for this is to pay compensation that greatly exceeds the damage caused. Some gestures by CN have been made such as providing bottled water and accommodation and meals for those residents who have had to evacuate.

7. Residents around Alta. Lake expect CN to compensate for oil mess

People around Lake Wabamun expect CN Rail to compensate them for the environmental mess. One of the cottage owners in the area indicated that they do not want to take a class action suit until they know what CN's offer is going to be. CN has made a broad pledge to put the community 'back to rights'. TransAlta whose oil was spilled is also claiming compensation as it was forced to close the Wabamun power generating plant.

8. CN announces partnership with Pacific Salmon Foundation to support a long-term recovery plan in the Cheakamus River

CN announced on August 17, 2005 that it had joined Salmon Foundation's efforts to help recover Pacific salmon populations in the Squamish River watershed and river. CN will provide financial support over the next five years.

9. CN expands transcontinental intermodal train capacity to meet rising overseas and domestic demand

In response to rising customer demand, CN announced on August 18, 2005 that it will substantially increase intermodal capacity on its transcontinental Canadian network on August 22, 2005. Capacity between the Port of Montreal and Toronto will increase by more than 20% and between these two points and Western Canada by 10% or an overall increase of 15% or 125,000 intermodal units. The rising demand originates from Asian imports and domestic markets.

10. Railway carloadings

Railways reported their strongest second quarter in 2005 since 1999. This has been attributed to the demand in Asia for Canadian primary goods. It loaded 72.9 million tonnes of good for the quarter up 0.8% for the same period last year. Major commodities loaded were cement, gasoline, and aviation fuel. For the month of June 2005, the railways shipped 24.7 million tonnes, the highest volume over the last six years for the month of June. The monthly loadings for June were down 4.9% compared to May 2005.

Rail Transportation

Canada

1. CPR adds 10 low-volume branch lines to CTA Three-Year Plan, July 28, 2005, www.cpr.ca
2. CN on track with recent acquisitions, *Globe and Mail*, August 3, 2005, p. B12.
3. Derailment Update, Squamish, BC, August 7, 2005, www.cn.ca
4. Information Bulletin, August 7, 2005, www.cn.ca
5. CN faces deadline over Alberta oil spill, August 14, 2005, www.nationalpost.ca
6. PR 101: How CN botched damage control, August 15, 2005, www.globeandmail.ca
7. Residents around Alta. Lake expect CN to compensate for oil mess, August 22, 2005, www.nationalpost.ca
8. CN announces partnership with Pacific Salmon Foundation to support a long-term recovery plan in the Cheakamus River, August 17, 2005, www.cn.ca
9. CN expands transcontinental intermodal train capacity to meet rising overseas and domestic demand, August 18, 2005, www.cn.ca
10. Railway carloadings, *The Daily*, August 23, 2005, www.statcan.ca
11. CPR and City of Port Moody promote safety, August 24, 2005,

US/EU

1. Short line railroad traffic climbs 9.2% in second quarter 2005, August, 29, 2005, www.ctl.ca

11. CPR [Canadian Pacific Railway] and City of Port Moody promote safety

CPR and the City of Port Moody have issued a safety message to residents to stay away from railway tracks because being on CPR's right-of-way is not only against the law but because it is dangerous.

HIGHWAY TRANSPORTATION

1. New interchange improves intersection safety

Government officials of Canada and Alberta announced the opening of the new interchange at Campsite Road and Highway 16 near Spruce Grove. This will replace the older interchange which was one of Alberta's most collision prone intersections.

2. Governments of Canada and Newfoundland and Labrador to invest more than \$1 million in intelligent transportation systems

Officials of the governments of Canada and Newfoundland and Labrador announced the signing of a contribution agreement on intelligent transportation systems in the province. Under the agreement, each will contribute \$550,000 for the acquisition and installation of 18 road weather information system stations. The project is expected to be completed by March 31, 2006.

3. Public information meeting update on Walker Road/CPR construction project & implementation on the VACIS [Vehicle and Cargo Inspection System] Facility

The city of Windsor is constructing a grade separation on Walker Road at the Canadian Pacific Railway tracks. This should eliminate traffic delays due to train passing at-grade crossing. The delays are expected to increase due to installation of the VACIS. The Minister said that "These improvements are key to enhancing not only safety but the capacity to move goods quickly and efficiently through this important trade corridor."

4. CTA [Canadian Trucking Alliance] welcomes initiative on national transportation strategy

A federal government initiative will see development of a national strategy for Canada's transportation system. Premiers from various provinces expressed concern that absent or aging highway systems and congestion on key routes to airports, ports and border crossings are eroding Canada's ability to compete in the global economy. Designated premiers will present the strategy to all premiers in November 2005. The Canadian Trucking Alliance has welcomed the strategy.

5. Travel between Canada and other countries

In June 2005, travel to Canada fell to its lowest level since June 2004. This decline has been attributed to a fall in the number of trips to Canada by Americans making same-day car trips. This contrasts to the increase of Canadian trips abroad for the year. Monthly statistics reveal a decline in both travel to Canada and Canadian trips abroad for the month of June 2005 compared to May 2005.

6. Large urban transit

Combined ridership on 10 large urban transit systems in Canada was 111.7 million

passenger trips, 1.4% higher in June than for the same month a year earlier. This accounts for 80% of total urban transit in Canada. It generated \$117.8 million in revenue in June (excluding subsidies), a 4.8% increase over June 2004.

GENERAL

1. Transport Minister leads transportation mission to China

Transport Minister, Jean-C. Lapierre, will lead a transportation mission People's Republic of China from September 1st through 7th, 2005. The mission includes stops in Beijing, Shanghai and Hong Kong to discuss various transportation issues including Canada as a gateway to North America.

Current Developments in Brief

Highway Transportation

CANADA

1. New interchange improves intersection safety, July 29, 2005, www.tc.gc.ca
2. Governments of Canada and Newfoundland and Labrador to invest more than \$1 million in intelligent transportation systems, August 4, 2005, www.tc.gc.ca.
3. Public information meeting update on Walker Road/CPR construction project & implementation on the Vacis Facility, August 10, 2005, www.tc.gc.ca
4. CTA [Canadian Trucking Alliance] welcomes initiative on national transportation strategy, August 18, 2005, www.ctl.ca
5. Travel between Canada and other countries, *The Daily*, August 18, 2005, www.statcan.ca
6. Large urban transit, *The Daily*, August 23, 2005, www.statcan.ca

US/EU

1. Statement of U.S. transportation Secretary Norman Y. Mineta concerning passage of surface transportation legislation, July 29, 2005, www.dot.gov
2. DOT announces record low highway fatality rate in 2004, August 1, 2005, www.dot.gov
3. BTS Releases Transportation Services Index (TSI); Index rose 0.8 percent in May from April, August 8, 2005, www.dot.gov.
4. Freight gets its due (almost) as Congress sends \$286.4 billion highway bill to White House, *The Journal of Commerce*, August 8, 2005.
5. US Department of Transportation Issues New rules Regulating Work and Sleep Schedules for Commercial Truck Drivers New Rules Based on Review of Medical Research and Traffic Safety Data, August 19, 2005, www.dot.gov
6. US Secretary Mineta unveils plan requiring better gas mileage from SUVs, pickups and mini-vans, August 23, 2005, www.dot.gov

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General

CANADA

1. Transport Minister leads transportation mission to China, August 22, 2005, www.tc.gc.ca

US/EU

1. EU seeks airline pollution levies, *Globe and Mail*, August 11, 2005, p. B 13.

Publications

1. *The Economic Impacts of the Open Skies Initiative: Past and Future*, InterVistas Consulting Inc., June 2005.
2. *The Economics of Cargo Co-Terminalization*, InterVistas Consulting Inc., June 2005.
3. *ICT and National Economic Performance*, InterVistas Consulting Inc., June 2005.