

# Transportation Information Update\*

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## Re-investment in our transportation infrastructure must become our rallying cry

The crying need to improve our transportation infrastructure in 2005 is one challenge that needs immediate attention according to a review for the New Year. While there has been renewed government spending during the last few years on infrastructure, reports have indicated that it is not sufficient and the investment gap is increasing. Reports that have drawn attention to this problem are: the TD Financial Group; the Federation of Canadian Municipalities; and Canada West Foundation and McGill University. These infrastructure deficiencies are clearly starting to take a toll on the nation's economy.

## AIR TRANSPORTATION

### 1. Canadian Government Milks Air Transport Cash Cow Again

The Associations representing all commercial airlines operating in Canada joined with the Canadian Chamber of Commerce to express frustration and disappointment with the 6.5% increase in Crown rents effective January 1, 2005 being charged by the Federal Government to the largest airports. According to Mr. Mackay, President and CEO of Air Transport Association of Canada, "Competitive airports are vital to attracting investment, promoting tourism and stimulating growth. ..." According to Mr. G. Bisignani, Director General and CEO of IATA, "What investment justifies rent in the first place? And what additional costs justify the increase? The answer to both is zero. ... Transport Minister Lapierre identified the need to reduce Crown rents. It is imperative that his Cabinet colleagues share this vision for a healthy low-cost air transport industry that serves Canada well".

### 2. Airport rent hikes protested

Airline industry representatives travelled to Parliament Hill on January 5, 2005 in an attempt to prevent the airport rent increase from taking place. Industry leaders argued that the rent structure is slowing economic development. A spokesman for Transport Minister indicated that the Minister is sensitive to the industry's concerns and will present a series of scenarios to cabinet later this month aimed at reducing rents to eliminating them. A spokesman for the Canadian Chamber of commerce indicated that reducing rents would stimulate the industry as a reduction of fees are passed on to the consumer.

### 3. Airlines ask Ottawa for breaks on airport rents, foreign ownership

Industry representatives made representation to the government to reduce airport rents and loosen foreign ownership restrictions. They indicated that such measures would stimulate the economy as the economy is already burdened by the costs of fuel and security. They also indicated that "the industry ...would benefit if federal limits on foreign ownership of Canadian airlines which now stands at 25 per cent, were raised." It was an issue last year when Air Canada's financial troubles were not resolved.

### 4. WestJet traffic up in December

WestJet Airlines indicates that the airline's load factor (the proportion of available seats filled) was 74.7% in December 2004 up from 58.5% in November 2004. The December 2004 figure is a slight improvement over the December 2003 figure of 73.6%. Air Canada's load factor increased in the first 11 months of 2004 to 77.7% from 74% for the same period in 2003.

\* 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.

### Current Developments in Brief

Re-investment in our transportation infrastructure must become our rallying cry, *Transportation and Logistics*, Outlook 2005, November / December 2004, p. 4.

### Air Transportation

#### CANADA

1. Canadian Government Milks Air Transport Cash Cow Again, January 5, 2005 ([www.iata.com](http://www.iata.com))
2. Airport rent hikes protested, *National Post*, Thursday, January 6, 2005, p. F7.
3. Airlines ask Ottawa for breaks on airport rents, foreign ownership, *Globe and Mail*, Thursday, January 6, 2005, p. B2.
4. WestJet traffic up in December, *Globe and Mail*, Friday, January 7, 2005, p. B3.
5. Air Canada fills even more seats, *Globe and Mail*, January 11, 2005, p. B8.
6. Cargo Recovers in 2004, January 12, 2004 ([www.aircargoworld.com](http://www.aircargoworld.com))
8. Halifax International Airport Authority decreases aeronautical fees, January 13, 2005 ([www.ctl.ca](http://www.ctl.ca))
9. Airports Capital Assistance Program to be Renewed, January 13, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca))
10. Canadian Transport Agency Directs Lufthansa to Compensate Ticket Holders, January 12, 2005 ([www.cta-otc.gc.ca](http://www.cta-otc.gc.ca))
11. Boeing to shut down Toronto plant, *Globe and Mail*, January 15, 2005, p. B7.
12. Air Canada fees fly under radar, *National Post*, January 15, 2005, p. 1N3.
13. Flight from bankruptcy is a turnaround story, *National Post*, January 17, 2005, p. PE3.
14. Big planes and big airport renovations, *Globe and Mail*, January 18, 2005, pp. B1/B8.
15. FedEx Chairman urges greater U.S.- EU Cooperation, customs reforms and open skies agreements, January 19, 2005 ([www.ctl.ca](http://www.ctl.ca))
16. Transport Canada Fines Billings Family Enterprises Ltd., January 19, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca))
17. Wildcat strike snarls Air Canada, *Globe and Mail*, January 20, 2005, pp. A1 /A6.
18. Air Canada sees profits overseas, *National Post*, January 20, 2005, pp. FP1/5.

## 5. Air Canada fills even more seats

Air Canada's load factor (proportion of available seats filled) increased in December 2004 for the ninth consecutive month to 75.2%. In comparison, its load factor was 72% in December 2003. For the 2004 calendar year, its load factor averaged 77.5% compared to 73.8% for 2003. The increase has been attributed to its new simplified fare structure. Other factors that have been attributed for the increase are: the improvement in traffic on certain international routes and a reduction of capacity. Despite these increases, Air Canada lost \$895million for the first nine months of 2004 compared to \$1.1billion for the same period in 2003.

## 6. Cargo Recovers in 2004

Initial estimates in 2004 show that the worldwide air freight industry grew at 11.7% over its 2003 level. This double digit increase was the first increase since the late 1990s. Asia led the growth with trans-Pacific, intra-Asia, and Europe-Asia air trade rising by 17.9%, 14.4% and 13.1%, respectively. US-Europe traffic increased by 14.5% in 2004.

## 8. Halifax International Airport Authority decreases aeronautical fees

Halifax International Airport Authority has decreased aeronautical fees. This decision to reduce fees was praised by President and CEO of Air Transport Association of Canada. He indicated that it not only demonstrates sensitivity to the pressure from the entire industry to reduce costs but also the effectiveness of management. The decision is also important as a number of smaller regional air services use this important hub which is critical to Atlantic Canada.

## 9. Airports Capital Assistance Program to be Renewed

Transport Minister announced the renewal of the Airports Capital Assistance Program until March 31, 2010 on January 13, 2005. This program (\$190 m. or \$38m. per year) gives funding to eligible airports to finance capital projects related to safety, asset protection and operating cost reductions.

## 10. Canadian Transport Agency Directs Lufthansa to Compensate Ticket Holders

Lufthansa was directed by the Canadian Transportation Agency to take corrective action after it refused to transport persons presenting valid tickets issued by Travel Way Services, a former travel agency in Toronto. Travel Way Services was alleged to have taken \$1.5 million for more than 700 tickets sold in October 2002 without remitting the money to the airlines (Lufthansa, KLM and Northwest Airlines, Air Canada, British Airways and BWIA-West Indies Airways). The last two airlines accepted the tickets issued. KLM and Northwest and Air Canada then were also directed to take corrective action. However, the claims against Air Canada then were extinguished due to the financial impact on the company.

## 11. Boeing to shut down Toronto plant

Boeing Co. is closing down its Toronto facility which it opened in 1938. It will continue to maintain its production facilities in Winnipeg (Manitoba), Arnprior (Ontario) and Richmond (B.C.). As a result of the closure, approximately 350 workers in Toronto will be laid off. The company employs 800 in Winnipeg, 300 in Arnprior and 50 in Richmond. Boeing estimates that it contributes \$1 billion to the Canadian economy. The closure will reduce its contribution by 10 percent to \$900 million.

## 12. Air Canada fees fly under radar

Customers who fly using their Aeroplan have to pay a \$19-per-segment international fuel surcharge, except when the destination is to Hong Kong where the charge is \$25. This means that a journey involving three international segments one of which is Hong Kong would have a charge of \$63. According to Air Canada, the charges are necessary for its survival. But many customers are irritated that Air Canada was not more up-front in making the charges known. To bill customers for fuel surcharges, the permission of the Canadian Transportation Agency is needed and such permission is given only for a limited time.

19. The Airsub 380, *National Post*, January 20, 2005, pp. FP11.

20. Canadian Transportation Agency Satisfied Air Transat's Proposed Restructuring of its Share Capital Meets Canadian Ownership and Control Requirements, January 21, 2005 ([www.cta-otc.gc.ca](http://www.cta-otc.gc.ca))

21. Aircraft movement statistics, *The Daily*, Jan 21/Jan 27, 2005 ([www.statcan.ca](http://www.statcan.ca))

22. Reduced vertical separation to save air industry \$22million in 2005, January 21, 2005 ([www.ctl.ca](http://www.ctl.ca))

23. Airline industry set for transformation, *National Post*, January 24, 2005, pp. FP1/10.

### OTHER CURRENT DEVELOPMENTS IN BRIEF U.S./EU

1. Flight Delays Increase in November 2004, [rate was 79.1% in November 2004 down from 80.2% in November 2003] January 5, 2005 ([www.dot.gov](http://www.dot.gov))

2. Struggling U.S. airlines lock price war horns, *Financial Post*, Friday, January 7, 2005, p. FP9.

3. U.S. - Australia trade agreement is expected to boost air-cargo rates, *Journal of Commerce*, January 3, 2005, p. 24.

4. U.S., EU veer from subsidy dogfight, *National Post*, January 12, 2005, p. FP20.

5. U.S. Secretary of Transportation Norman Y. Mineta Announces New Laser Warning and Reporting System for Pilots, January 12, 2005 ([www.dot.gov](http://www.dot.gov))

6. U.S. Transportation Secretary Mineta, India's Civil Aviation Minister Patel Launch Open Skies Talks in Effort to Improve Air Services, January 13, 2005 ([www.dot.gov](http://www.dot.gov))

### Conferences

1. Domestic Marine Conference, April 11 and 12, 2005, Hilton Head Island, SC, USA

2. WESTAC Annual Meeting, Government House in Edmonton, April 5-6, 2005.

3. Trans-Pacific maritime Conference, February 28 & March 1, 2005.

4. 89<sup>th</sup> ECMT Ministerial Session, 24-25 May 2005, Moscow.

5. Workshop on Implementing Sustainable Urban Travel Policies in Japan and Other Asia-Pacific Countries, 2-3 March 2005, Tokyo.

6. Managing Oil Demand in Transport, 7-8 March 2005, Paris.

### Speeches

1. A Vision for the Next Generation Air Transportation System, Jeffrey N. Shane, Under Secretary for Policy, U.S. Department of Transportation, January 10, 2005 ([www.dot.gov](http://www.dot.gov))

### 13. Flight from bankruptcy is a turnaround story

The economic situation is changing for Cargojet Canada Ltd. (formerly 3000 Canada). Since the Sept 11/2001 crisis, sales have soared to \$90 million from \$45 million as a result of contracts with some of the biggest freight forwarders and couriers in the industry. CargoJet's scheduled network services 12 cities nightly, transporting 500,000 pounds of cargo. It has also got involved into the luxury VIP passenger market with Starjet, an exclusive airline of the Toronto Blue Jays.

### 14. Big planes and big airport renovations

Airbus SAS has unveiled the largest passenger jet aircraft, the A380 superjumbo. It will have a capacity of 555 passengers compared to 410 passengers being carried on the Boeing 747. This is having a impact on major airports which is budgeting to widen runways, install ramps, etc. Toronto Pearson has already taken into account this factor in the design of its new terminal, the only likely Canadian airport where the A380 is expected to land.

### 15. FedEx Chairman urges greater U.S.- EU Cooperation, customs reforms and open skies agreements

Chairman and CEO of FedEx Corp. at a gathering of policy makers in Europe said that continued liberalization of trade and the breaking down of regulatory barriers such as aviation protectionism and archaic customs

procedures will ultimately expand choices and opportunities. He said adoption of the Open Skies between the U.S. and individual EU member states would be key. If a full agreement is not possible at this stage he recommended an all-cargo deal. He also urged streamline of customs clearance processes.

### 16. Transport Canada Fines Billings Family Enterprises Ltd.

Billings Family Enterprises Ltd. was fined \$100,000 for violating the Canadian Aviation Regulations by carrying passengers and goods by helicopter without an air operator certificate and the required approvals and equipment.

### 17. Wildcat strike snarls Air Canada

A four-hour wildcat strike by Air Canada ground crew at Pearson International Airport stranded thousands of passengers, delaying or cancelling thousands of passengers and disrupting schedules across Canada. More than 60 flights operated by Air Canada and its regional Jazz were delayed or cancelled. The workers have returned to work.

### 18. Air Canada sees profits overseas

Air Canada will begin flying between Toronto and Beijing on June 2, 2005. It also announced direct service from Toronto to Seoul three times a week. Besides expanding its more profitable international routes, Air Canada is also hoping it can capitalize on foreign travellers who want to by-pass the US due to its heightened security restrictions.

### 19. The Airsub 380

Terence Corcoran in his article draws attention to the limitations of the project involving Airbus 380, Europe's latest triumph in the aerospace race. He draws attention to the distortions caused by subsidies, political leaders, etc.

### 20. Canadian Transportation Agency [CTA] Satisfied Air Transat's Proposed Restructuring of its Share Capital Meets Canadian Ownership and Control Requirements

The CTA released a decision indicating that the proposed restructuring of the share capital of Transat A.T. Inc., which wholly own Air Transat, will continue to meet the Canadian ownership and control requirements.

### 21. Aircraft movement statistics

Canadian airports (42) with NAV CANADA air traffic control towers reported a fall in take-offs and landings by 10.9% for December from a year ago. This is the tenth decrease in year-over-year comparisons of monthly movements. Aircraft movement and landings were down 3.2% compared in 2004 compared to 3.2% (i.e., 4.4m compared to 4.5m).

### 22. Reduced vertical separation to save air industry \$22million in 2005

NAV CANADA has expanded its Reduced Vertical Separation Minimum to the Canadian Southern Domestic airspace. As a result, carriers are provided with six additional flight levels which would reduce fuel costs for the airlines by \$22m.

### 23. Airline industry set for transformation

The international airline industry will undergo a radical transformation according to N. Taneja, Chairman of the Aviation Department at Ohio State University (and author of 7 books on airlines). However, consumers will not face higher ticket prices and airlines that survive will have to make decisions which segments of the business they wish to serve. As a result of consolidation in the industry there are going to be many casualties and those that survive are likely to be stronger.

#### Recent Publications

1. Airline Industry Response to Federal/Provincial Consultation Paper entitled Options for Greater Transparency in Airline Fare Advertising Stakeholder Consultation Document, September 10, 2004 ([www.atac.ca](http://www.atac.ca))
2. Road Safety Performance, Nation Peer Review: Lithuania, ECMT, August 2004.
3. Transport and Spatial Policies: the Role of Regulatory and Fiscal Incentives, Round Table 124, ECMT, December 2004.
4. European Integration of Rail Freight Transport, Round Table 125, ECMT, October 2004.
5. Improving Access to Public Transport, ECMT, November 2004.
6. Implementing Sustainable Urban Travel Policies: Moving Ahead, ECMT, December 2004.
7. ECMT Newsletter, Issue No. 18: December 2004.
8. Windsor Border Traffic Report.
9. Monthly Economic Indicators (MEI) <http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/ra01894e.html>

## WATER TRANSPORTATION

### 1. Unjamming Vancouver gateway should top B.C.'s priority list

British Columbia and the Greater Vancouver region have neglected to invest in transportation infrastructure until recently. This has resulted in congestion costs on main commercial highways estimated to be more than \$1 billion by Transport Canada. This problem is being compounded by the increasing Asia-Vancouver container trade which is distributed by road and rail. The rail congestion problem is also raising an issue. These problems have been attributed to a systematic under investment over the past two decades in a report by Professor Michael Goldberg from the University of B.C. Transportation investment in that Region is governed by TransLink, a regional authority. The recent approval of RAV transit line has led to criticism that the focus has been on commuter and residential traffic issues rather than on commercial transportation. These transportation issues have taken on increased significance with the increase in global trade.

### 2. Korea takes the helm

In 2004, South Korea became the world's leading shipbuilding nation definitely surpassing Japan with its exported ships valued at \$15.09 billion. It has 40% of the world shipbuilding market compared to Japan with 24% and China with 14%.

It is believed that South Korea's lead may be overtaken by China in 2015. This is encouraging South Korea to shift production from simple ore and tanker ships to more technologically complex ships. The explosion in China's trade has created double digit increases in capacity from 2004 to 2006. As a result, Korea's three major shipping companies (Hyundai Heavy Industries, Daewoo Shipbuilding and Marine Engineering and Samsung Heavy Industries) are receiving a record of orders. China's increase in demand has resulted in shortage in supply of steel which in turn has resulted in an increase in the price of ships.

### 3. CN strike would worsen backlog terminals warn

The Port of Vancouver is faced with congestion and delays due to the increase in trade volume from China. Some experts say that it is hurting economic growth and the entire economy. This has led to diversion of traffic to other ports. This congestion can get even worse in the event of a strike at CN as it is negotiating with two of its labour unions, according to Morley Strachan, a VP at TSI Terminal Systems Inc. and operator of three container terminals at Vancouver. A strike can be avoided and an agreement can be reached, according to a CN spokesman.

### 4. New container service to operate between Halifax, Boston and Portland

A new weekly container cargo service will be provided between Halifax, Portland and Boston. This service chartered by Halship Inc. will be provided by MV Ossian with a capacity of 518 TEUs. Imports into Boston are usually footwear and beverages.

### 5. Port of Montreal reports best year in 20 years

The President of the Port of Montreal said that it experienced the best year in two decades. The port moved more than 23 million tonnes of cargo in 2004 an increase of 12% over 2003. The 2004 level is expected to be surpassed in 2005. The port handled about 1.2 million TEUs in 2004. The profits of the port doubled to \$13 million.

### 6. Bill to protect seabirds too severe: shipping industry

Bill C15 introduced in October 2004 that seeks to amend the existing environmental legislation to protect seabirds is too severe according to the shipping industry. Under the amendments which could come into effect in early 2005, anyone who dumps even a small amount of oil into Canadian waters is liable for a minimum fine of \$500,000.

### 7. Domestic and International shipping

Canadian ports handled 442.7 million metric tonnes of cargo in 2003, an 8.4% increase from 2002. Growth in both the domestic and international sectors contributed to the advance.

### 8. Vancouver's port traffic jumps by 11%

Trade through the Port of Vancouver increased by 11% in 2004 and is expected

## Current Developments in Brief

### Water Transportation CANADA

1. Unjamming Vancouver gateway should top B.C.'s priority list, *Globe and Mail*, Thursday, January 6, 2005, p. B2.
2. Korea takes the helm, *National Post*, Friday, January 7, 2005, p. FP7.
3. CN strike would worsen backlog terminals warn, *Financial Post*, January 8, 2005, p. FP7.
4. New container service to operate between Halifax, Boston and Portland, January 10, 2005 ([www.ctl.ca](http://www.ctl.ca))
5. Port of Montreal reports best year in 20 years, January 12, 2005 ([www.ctl.ca](http://www.ctl.ca))
6. Bill to protect seabirds too severe: shipping industry, *National Post*, January 13, 2005, p. FP6.
7. Domestic and international shipping, *The Daily*, Jan 14, 05, ([www.statscan.ca](http://www.statscan.ca))
8. Vancouver's port traffic jumps by 11%, *Financial Post*, Jan. 19, 05, p. FP2.
9. Don't fund new port, rival urges, *Globe and Mail*, January 19, 2005, p. B3.
10. Eastbound Trans-Pac volume to rise 10-12%, lines say, January 20, 2005 ([www.joc.com](http://www.joc.com))
11. Vancouver terminal declares force majeure, Jan. 20, 2005/Vancouver box backlog to last 7-10 weeks, Jan. 21 2005 ([www.joc.com](http://www.joc.com))
12. Troubled brows over bridges, *National Post*, January 20, 2005, p. FP3.
13. WTSA increases rates on U.S.-Asia cargoes, January 21, 2005 ([www.joc.com](http://www.joc.com))
14. 2004 is second best year ever for containerized cargo at Port of Halifax, January 26, 2005 ([www.ctl.ca](http://www.ctl.ca))

### OTHER CURRENT DEVELOPMENTS IN BRIEF U.S./EU

1. New Year brings new box charter highs, January 3, 2005 ([www.joc.com](http://www.joc.com))
2. American Association of Port Authorities calls for better port funding mandates, January 4, 2005 ([www.ctl.ca](http://www.ctl.ca))
3. European Container Terminals, P&O Nedlloyd to build new Rotterdam terminal, January 4, 2005 ([www.ctl.ca](http://www.ctl.ca))
4. Panama's golden goose, Canal tolls for container ships would increase approximately 65 percent over three years, December 20, 2004, *The Journal of Commerce*, pp. 20-21.
5. Enviro groups fighting NY dredging, January 5, 2005 ([www.joc.com](http://www.joc.com))
6. California ports to hire 1,300 workers, *National Post*, January 6, 2005, p. FP9.
7. New maritime security committee, [the first panel of the National Maritime Security Advisory Committee was announced] Jan. 7, 2005 ([www.joc.com](http://www.joc.com))
8. Incentives urged to cut Calif. Port pollution, January 8, 2005 ([www.joc.com](http://www.joc.com))
9. LA-Long Beach targets 'free time', January 12, 2005 ([www.joc.com](http://www.joc.com))
10. LA to get inland container depot, January 12, 2005 ([www.joc.com](http://www.joc.com))

to continue increase at that rate over the next 5 years. Investment in the Port and alternatives (Prince Rupert) may be necessary. However, suggestions to develop alternatives such as the Port of Prince Rupert have raised some concern like the diversion of railway cars.

### **9. Don't fund new port, rival urges**

The President of the Vancouver Port Authority is urging Ottawa not to subsidize a proposed Prince Rupert container terminal in northern British

Columbia. The three major reasons provided are: Prince Rupert only has a population of 13,000 compared to world major ports; Prince Rupert has been on the decline for a decade; and Vancouver can handle the increased volume of trade (container capacity will increase by 30% by 2006) and investment in it would be more attractive (no need for subsidies).

### **10. Eastbound Trans-Pac volume to rise 10-12%, lines say**

Shipping lines in the eastbound Pacific lanes (west coast US), project that containerized imports from Asia will increase by 10 to 12 percent in 2005 with a brief slowdown (i.e. 80-85% vessel utilization) for the Chinese New Year holiday.

### **11. Vancouver terminal declares force majeure/Vancouver box backlog to last 7-10 weeks**

Vancouver's Deltaport has told ocean carriers it is not liable for delays in moving containers. It has declared *force majeure* (i.e., operation is continuing but because of conditions beyond their control liability for any delays is not assumed). It has blamed CN railway for the backlog of 5000 containers (which takes 10 to 15 days of loading). CN has responded by increasing its supply of railcars from 11,000 to 15,000 and has blamed the congestion to: increased ship discharges, weather, TSI productivity issues, etc. The president of Deltaport indicated they were pleased with CN's response but it would take 10 weeks to clear the backlog.

### **12. Troubled brows over bridges**

A new study sponsored by a rail coalition of government and industry indicated that \$250 million will be needed to deal with infrastructure problems. The report identified key trouble spots in the rail network serving the Port of Vancouver including the Bridges at New Westminster Bridge, Pitts Meadows and Mission. Because of the ageing bridges, the railway network is vulnerable to a host of potential problems. One way around this is track-sharing arrangements to make more efficient use of networks. Economists say the situation is so serious that Canada's economic growth is being hurt.

### **13. WSTA [Westbound Transpacific Stabilization Agreement] increases rates on U.S.-Asia cargoes**

Shipping lanes in WSTA are recommending rate increases of \$200 and \$160 on 40-foot and 20-foot containers. It excludes exempt commodities.

### **14. 2004 is second best year ever for containerized cargo at Port of Halifax**

The Port of Halifax had the second best year ever for containerized cargo and the fifth year over half a million. 525,553 containers moved through the Port with a volume of 4,497,270 metric tonnes.

## **RAIL TRANSPORTATION**

### **1. Canadian Transportation Agency Rules on CN and CP Western Grain Revenue Caps for Crop Year 2003-2004**

The Canadian Transportation Agency found that the revenues of Canadian National Railway (CN) for the movement of Western grain for the crop year 2003-4 was below the revenue cap set. For Canadian Pacific Railways (CPR) the revenue was above the cap. The revenue cap applies to the movement of grain from Prairie origins to terminals at Vancouver, Prince Rupert, Thunder Bay and Churchill. In accordance with the existing legislation, CP has 30 days to pay the excess amount (\$321,912) and a five percent penalty to the Western Grains Research Foundation. This is the first time that a railway has exceeded the revenue cap set by the Agency.

### **2. OmniTRAX, Burlington Northern and Santa Fe [BNSF] announce branch lines transition**

OmniTRAX has assumed operation of a 160-mile cluster of branch lines of BNSF. These lines will be partly operated by Kettle Falls International Railway, a newly formed subsidiary by OmniTRAX; and Columbia Gardens, BC. The lines to the latter (83 miles) were leased. The lines acquired from BNSF will operate across the US-Canada border at: Boundary, Laurier and Danville.

### **3. Canadian labour board reviewing essential service implications of possible CN strikes**

CN announced that the Canada Industrial Relations Board (CIRB) has been asked by the Canadian government to

### **Current Developments in Brief**

#### **Rail Transportation**

CANADA

1. Canadian Transportation Agency Rules on CN and CP Western Grain Revenue Caps for Crop Year 2003-2004, December 30, 2004 ([www.cta-otc.gc.ca](http://www.cta-otc.gc.ca))
2. OmniTRAX, Burlington Northern and Santa Fe announce branch lines transition, January 10, 2005 ([www.ctl.ca](http://www.ctl.ca))
3. Canadian labour board reviewing essential service implications of possible CN strikes, lockouts, January 10, 2005 ([www.cn.ca](http://www.cn.ca))
4. Cold delays Vancouver rail shipments, January 12, 2005 ([www.joc.com](http://www.joc.com)) / Weather lashes Canada rail traffic, January 18, 2005 ([www.joc.com](http://www.joc.com))
5. CN reaches tentative labour agreement with United Steelworkers, January 14, 2005 ([www.cn.ca](http://www.cn.ca))
6. UTU, CN to Continue Labour Negotiations, January 18, 2005 ([www.cn.ca](http://www.cn.ca))
7. CPR and Teamsters Canada Rail Conference announce four-year contract ratified by train crew employees, January 18, 2005 ([www.cpr.ca](http://www.cpr.ca))
8. Coal transportation contract dispute, January 17, 2005 ([www.cpr.ca](http://www.cpr.ca))
9. CN and Burlington Northern Santa Fe reach routing protocol agreement to expedite interchange traffic, January 19, 2005 ([www.cn.ca](http://www.cn.ca))

determine whether special services should be maintained in the event of strikes or lockouts. Until the CIRB renders its decision on essential services, any right to strike or lockout is suspended. After the CIRB renders its decision, at least 72 hours strike or lockout notice would be required before any strike or lockout occurs.

#### **4. Cold delays Vancouver rail shipments/Weather lashes Canada rail traffic**

CN indicated that unusually cold weather was delaying shipments from the Port of Vancouver. The shipments involved movements from Vancouver to Edmonton and British Columbia to Northern Ontario. Severe winter weather (blizzard in the Atlantic, bitter cold and winds in Central Canada, blowing snow in the Prairie and freezing rain in the West Coast) is affecting shipments from Canada to the US. Delays by 24 hours and some re-routing will occur.

#### **5. CN reaches tentative labour agreement with United Steelworkers**

On January 14, 2005, CN announced that it had signed a tentative labour

agreement to December 31, 2007 with the United Steelworkers of America (employees who maintain and repair CN's track, bridges and structures in Canada). CN has signed agreements with Union Transport Union (UTU-NQT); Canadian Auto workers, the Teamsters Canada Rail Conference/Rail Traffic Controllers; and the Canadian National Railways Police Association. It is in negotiations with the non UTU-NQT body, the Teamsters Canada Rail Conference (representing locomotive engineers) and the International Brotherhood of Electrical Workers.

#### **6. UTU [United Transport Union], CN [Canadian National Railway] to Continue Labour Negotiations**

The UTU and CNR are optimistic that continued negotiations will allow both parties to overcome differences and reach a positive settlement. The UTU is the largest rail and transportation union in North America.

#### **7. CPR and Teamsters Canada Rail Conference announce four-year contract ratified by train crew employees**

CPR announced a four year collective agreement with its largest bargaining group the Teamsters Canada Rail Conference. The agreement extends till the end of 2006.

#### **8. Coal transportation contract dispute**

Elk Valley Coal and Canadian Pacific Railway agreed to engage in a mediation process (January 20, 2005) in an attempt to settle their dispute over freight rates for the transportation of coal from its mines in BC to the Vancouver port.

#### **9. CN and Burlington Northern Santa Fe reach routing protocol agreement to expedite interchange traffic**

CN and BNSF announced a routing protocol agreement to streamline their exchange of traffic at major gateways (Noyes-Minnesota, Superior-Wisconsin, Memphis-Tenn and New Orleans) to improve transit times and asset utilization.

#### **11. CN's record revenues help drive best ever 4<sup>th</sup> quarter and full year results**

CN results for the 4<sup>th</sup> quarter indicates: revenues up 15%; operating income up 19% (year-over-year); and performance up 1.1% (year-over-year). Net income for 2004 was \$1,258m. compared to \$1.014m. For 2003.

#### **12. CPR reports solid performance in 2004; demand continues to grow**

CPR results for 2004 compared to 2003 indicates: revenues up \$242m; operating income up 8% (i.e., \$789m); and performance up 0.3%.

10. CN's record revenues help drive best ever 4<sup>th</sup> quarter and full year results, Jan. 25, 2005 ([www.cn.ca](http://www.cn.ca))

11. CPR reports solid performance in 2004; demand continues to grow, Jan. 27, 2005 ([www.cpr.ca](http://www.cpr.ca))

#### **OTHER CURRENT DEVELOPMENTS IN BRIEF U.S./EU**

1. Rains damage key intermodal rail lines, January 13, 2005 ([www.joc.com](http://www.joc.com))

### **HIGHWAY TRANSPORTATION**

#### **1. Load securement regs on the books but enforcement delayed**

New load securement regulations are now in effect in most provinces but enforcement will begin somewhere in mid 2005 after industry and enforcement agencies gain some experience. These standards are similar to the US standards which came into force there on January 1, 2003.

#### **2. BTS Releases North American Surface Trade Numbers for October, Surface Trade with Canada and Mexico Rose 8.6...**

U.S.-Canada surface trade rose 10.6% in October 2004 over the preceding 12 months to \$36.5 billion. Surface transportation consists largely of freight movements by truck, rail and pipeline. Imports by value for the above period by truck, rail and pipeline increased by 11.2%, 4.1% and 32.1%; and exports by value for the above period by truck, rail and pipeline increased by 9.0%, 3.4% and 336.8%, respectively.

#### **3. Expect consolidation to continue as the major players seek broader offerings**

The Canadian Courier and Messenger Association estimates that the industry has seen a 2-3% increase in volume in 2004 with a possible revenue growth as high as 4-5%. Industry executives believe that this upward trend will continue. Three distinct developments were noticed which are expected to continue: a broadening of the

service spectrum offered by express and courier firms; an integration and consolidation process in the industry; and an

#### *Current Developments in Brief*

#### **Highway Transportation CANADA**

1. Load securement regs on the books but enforcement delayed, January 3, 2005 ([www.ctl.ca](http://www.ctl.ca))

2. BTS Releases North American Surface Trade Numbers for October; Surface Trade with Canada and Mexico Rose 8.6 percent from October 2003, January 4, 2005 ([www.dot.gov](http://www.dot.gov))

3. Expect consolidation to continue as the major players seek broader offerings, Outlook 2005, *Transportation and Logistics*, Nov/Dec 2004, pp. 46-48.

4. Passenger bus and urban transit, *The Daily*, January 18, 2005 ([www.statcan.ca](http://www.statcan.ca))

advance in the regulatory environment largely driven by security concerns.

#### 4. Passenger bus and urban transit

The 10 largest urban transit systems in Canada generated 114.5 m. passenger trips with a revenue of \$165.7 m. for November 2004. For the first 11 months, this was 1.19 b. and \$1.69 b., respectively. This represents increases of 1.8% and 5.4% respectively from 2003.

#### 5. Trucking Industry

In 2003, the long distance for-hire trucking companies (2,200) in Canada had operating revenues of \$1m. or more. They generated \$16.8b. in revenues an increase of 7.5% from 2002. Domestic and transborder shipments accounted for 72% and 22%, respectively.

5. Trucking Industry, *The Daily*, January 18, 2005  
([www.statcan.ca](http://www.statcan.ca))

#### OTHER CURRENT DEVELOPMENTS IN BRIEF U.S./EU

1. ATA truck tonnage increases in November, January 4, 2005 ([www.ctl.ca](http://www.ctl.ca))
2. U.S. industry pushing for highway bill, January 5, 2005 ([www.joc.com](http://www.joc.com))
3. FMCSA Proposes Rulemaking to Address Truckers' Hours-of-Service Regulations; Invites Public comments, January 19, 2005 ([www.dot.gov](http://www.dot.gov))

## OTHER TRANSPORTATION

### INFRASTRUCTURE

#### 1. The deficiencies are clearly starting to take a toll on the nation's economy

This article indicates that infrastructure deficiencies are clearly starting to take a toll on the nation's economy. Reviewing the TD Financial Group Report (*Mind the Gap*), the article states that the investment gap is between \$50 billion and \$125 billion. It pointed out that there is real risk that Canada will ultimately fall further behind in addressing its infrastructure challenges. Several factors (demand and supply) have been cited why Canada is falling behind: a steady economic growth; the government deficit problems; the restrictions at the local government level; and a number of inadequate policies. A four-part strategy is recommended to deal with this infrastructure gap: a further tilt towards a user pay model; an increase in taxing power for cities; an increase in private sector partnership; and a bigger role for the federal government.

#### 2. \$32 million joint Municipal Rural Infrastructure Fund launched, \$90 million in joint highway funding confirmed in the Northwest Territories

In collaboration with Infrastructure Canada, Transport Canada announced the launching of a \$32 m. joint Municipal Rural Infrastructure Fund. In addition, a \$90 m. in joint highway funding was confirmed in the Northwest Territories.

### *Current Developments in Brief*

#### *Other Transportation*

##### CANADA

##### *Infrastructure*

1. The deficiencies are clearly starting to take a toll on the nation's economy, *Transportation and Logistics*, Outlook 2005, November/December 2004, pp. 22/29.
2. \$32 million joint Municipal Rural Infrastructure Fund launched, \$90 million in joint highway funding confirmed in the Northwest Territories, January 18, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca))

##### *Environment*

1. Tougher Kyoto rules urged, *Globe and Mail*, January 11, 2005, pp. A1/A8.
2. Ottawa devising energy strategy, *Globe and Mail*, January 12, 2005, p. A6.
3. Debate swirls over Kyoto failures, *Globe and Mail*, January 14, 2005, p. A4.
4. Economic Warning on Kyoto, *National Post*, January 19, 2005, pp. FP1/15.
5. Ottawa is willing to impose emission limits, Dion warns, *Globe and Mail*, January 20, 2005, p. A10.

## ENVIRONMENT

#### 1. Tougher Kyoto rules urged

A document obtained by the *Globe and Mail* indicates that "With current policy and programs, Canada is still going to be significantly off the Kyoto target." It is believed that the document was written by government employees. The document notes the need for a full range of policy instruments such as taxation, environmental regulation requiring use of non-emitting green house gas fuels, environmental regulation for energy production that is climate friendly and incentive schemes. The document also indicates Canada's long term Climate change plan which is expected to be announced by the Prime Minister next month.

#### 2. Ottawa devising energy strategy

A national energy-technology strategy is being devised by the federal government to meet its emission-reduction targets established under the Kyoto Protocol, according to the *Globe and Mail* on January 12. The government has so far declined to comment on it. Energy experts say that it would primarily be used to encourage new technologies such as wind power.

#### 3. Debate swirls over Kyoto failures

The need to reduce greenhouse gas emissions to satisfy Canada's Kyoto commitment is forcing the Government to seek

ways to readdress the problem. Ottawa promised to reduce emission by 80 megatonnes by 2000 but has only succeeded in reducing emission by 18 megatonnes. As a result, it is reported that government officials are debating the merits of Project Green, a proposal from government officials. It may also consider spending a large amount of money including incentives to buy fuel-efficient cars, etc.

#### 4. Economic Warning on Kyoto

Thomas d'Aguino of the Canadian Council of Chief Executives said he is 'deeply concerned' that Ottawa is set to announce new initiatives related to Kyoto for short-term political reasons without taking into account the potentially 'catastrophic' impact the environmental treaty may have on the domestic economy. Canada signed the agreement in 2002. Greenhouse gas emissions have to be cut by 6% from the 1990 level by 2012. Industry experts believe that the target cannot be reached without having an impact on the economy.

#### 5. Ottawa is willing to impose emission limits, Dion warns

If auto makers do not voluntarily agree on a reduction plan by the time the Kyoto plan comes into force, the federal government is considering imposing new restrictions. The president of the Canadian Vehicle Manufacturers Association said that the industry hopes to reach a negotiated agreement. Transport Minister and Environment Minister went to California (week of January 16) to compare notes with California's governor regarding their rules.

### GENERAL

#### 1. Study: Tourism employment in rural Canada

Tourism accounted for 3% of Canada's total employment in 2003 in rural areas. The Atlantic provinces had the largest growth in tourism employment between 1996 and 2003. New Brunswick and Newfoundland and Labrador had the largest increases of 30% and 25%, respectively. In comparison, other rural regions in Canada increased 15%.

#### 2. National tourism indicators

Tourism spending advanced .3% in the third quarter of 2004 up for the fifth consecutive quarter but down from the 1.9% average increase for the previous four quarters. The slowdown was attributed to a decline of visitors from the U.S.

#### 3. Travel between Canada and other countries

In November 2004, Canadian travel abroad rose to its highest level in more than three years. 87% of these trips were to the US and 13% were to other countries.

#### 4. Intelligent Transportation Systems Project funded

Transport Minister announced that 25 projects have been selected to receive funding under Canada's Intelligent Transportation (ITS) Plan. These projects will receive a total of \$5million. "The funds devoted to these projects reaffirm the Government of Canada's commitment to accelerating the development and adoption of technologies designed to enhance the transportation system".

#### 5. Economy regains its footing in December

Canada's composite index advanced .2% in December 2005 after a slowdown from June 2005. New orders increased 1% in volume, the largest increase in six months. Six of the ten components in the composite index rose.

#### General

1. Study: Tourism employment in rural Canada, *The Daily*, January 7, 2005 ([www.statcan.ca](http://www.statcan.ca))
2. National tourism indicators, *The Daily*, January 10, 2005 ([www.statscan.ca](http://www.statscan.ca))
3. Travel between Canada and other countries, *The Daily*, January 20, 2005 ([www.statcan.ca](http://www.statcan.ca))
4. Intelligent Transportation Systems Project funded, January 12, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca))
5. Economy regains its footing in December, January 18, 2005 ([www.cfl.ca](http://www.cfl.ca))

#### OTHER CURRENT DEVELOPMENTS IN BRIEF U.S./EU

##### Infrastructure

1. The breaking point, U.S. transportation infrastructure is stretched to the limit, but there's no consensus on how to fix it, December 20, 2004, *The Journal of Commerce*, pp. 12-13.

##### Security

1. WCO builds on US ideas, World Customs Organization moves toward global standards for supply-chain security, December 20, 2004, *The Journal of Commerce*, pp. 16-17.

##### Safety

1. Mineta Announces Study – Estimates Lives Saved by Safety Features, January 18, 2005 ([www.dot.gov](http://www.dot.gov))

#### General

1. Manufacturing activity expands in US, January 3, 2005 ([www.cfl.ca](http://www.cfl.ca))
2. Global economic growth slowing, says OECD, January 8, 2005 ([www.joc.com](http://www.joc.com))