



Transportation Information Update*

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1. Transport Minister's views on how Canada can move toward a competitive, market-driven framework

The Minister at the *Canadian Airline Investment Conference* indicated that we need to address liberalization of our air policies. On the 'domestic front' should we consider issues on: relaxing restriction on ownership/control; and allowing foreign carriers to provide services between points in Canada? On the 'transborder front' should we consider issues on: allowing transborder services to fly to two or more points in the other country; allowing transborder services to third countries together with competitive pricing in these markets; and allowing cabotage or market integration under a single set of rules? On the 'international front' (the area for the greatest scope of reform) should we consider: taking a more aggressive approach to relax or remove restrictions on service in our bilateral agreement; extending that approach to third countries; and balancing all the Canadian interests affected by such changes? On other air priorities, we need to consider: airport rent policy; legislation to enhance governance, accountability and transparency at leased airports; the war risk liability issue; and ways to improve the transportation corridors to our airports. We are going to build our transportation agenda around the priorities announced in the Speech of the Throne - to build a globally competitive and sustainable economy.

Newspaper followups indicate that the questions raised by the new Minister at the *Canadian Airline Investment Conference* are encouraging and hopes they will lead to serious answers. This is more important now especially that United States is leading Canada. U.S. has 67 Open Skies agreements with other countries. This does not include Canada as it does not permit US carriers picking passengers in Canada and flying it to other countries. Further, the ongoing US-EU negotiations to create an Open Skies could leave Canada behind having a negative impact on it. Finally, the Open Skies notion should also be seen as an important component of the current NAFTA-plus initiative between Canada, Mexico and the U.S.

Liberalizing the system is supported by the U.S. and the Air Transport Association of Canada especially as Canada has benefited from the Open Skies Agreement with the U.S. and since Air Canada has emerged from bankruptcy protection.

2. Speaking Notes for Transport Minister Jean-C. Lapierre at the Standing Committee on Transport

Transport Minister, Jean-C. Lapierre, appeared before the Standing Committee on November 4, 2004. His speech was divided into three components: Minister's Priorities; Legislative Agenda; and Air Liberalization. Regarding the first, he indicated that he would like to focus on three key issues that he considers fundamental to the future of our transportation system: promoting a safe and secure transportation system; enhancing trade corridors and improving strategic infrastructure; and encouraging sustainable transportation. Regarding the second, he indicated a number of bills will be introduced for the Committee's examination. Four bills were mentioned: the *Canada Transportation Act*, the *Canada Marine Act*, the *Air Canada Public Participation Act* and the proposed *Canada Airports Act*. Regarding the third, he indicated that change is sweeping the air sector. There is a trend to making aviation markets more accessible, with decisions being left increasingly to market forces. The economy is growing, Air Canada has come out of bankruptcy protection and carriers are creating a more competitive marketplace. The air sector is positioned to pursue new opportunities and this is an excellent time to re-examine the issue of liberalization on three fronts: domestic air services, trans-border air services and international air services. He raised a number of questions.

Current Developments in Brief

1. Speaking Notes for Transport Minister Jean-C. Lapierre at the Canadian Airline Investment Conference, Toronto, Ontario, October 29, 2004 (www.tc.gc.ca). / Ottawa eyes more competition in the skies, National Post, October 30, 2004, pp. A1-A12. / Taking a Step toward Open Skies, National Post, November 4, 2004, p.A17. / Ottawa expected to okay major policy review, The Globe and Mail, November 4, 2004, p. B4.
2. Speaking Notes for Transport Minister Jean-C. Lapierre at the Standing Committee on Transport, Ottawa, Ontario, November 4, 2004 (www.tc.gc.ca) / Air Liberalization: a Review of Canada's Economic Regulatory Regime as it affects the Canadian Air Industry, A Reference to the Standing Committee on Transport from the Minister of Transport, November 2004, November 7, 2004.
3. Railway Safety Improved Across Canada, October 29, 2004 (www.tc.gc.ca).
4. Transport Minister Announces Appointment to the Toronto Port Authority October 29, 2004 (www.tc.gc.ca).
5. Consultations on the Information Bulletin on the Regulated Conduct Defence, October 29, 2004 (www.ic.gc.ca).
6. U.S.- Canada trade tiff not making the news, Financial Post, November 1, 2004, p. FP3.
7. Road Fatalities Down, November 1, 2004, (www.tc.gc.ca).
8. Competition Bureau Settles Case with Air Canada, October 29, 2004 (www.ic.gc.ca).

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

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

These questions were mentioned in 1.

The reference report presented to the Standing Committee examines: 1. Worldwide trends in air sector; 2. Key air liberalization issues and questions for SCOT on: Domestic air services; Transborder air services; and International air services; 3. Conclusion.

3. Railway Safety Improved Across Canada

The Minister announced that the Government of Canada will provide more than \$10 million to improve safety at 92 railway crossings across Canada. Since 1994, Transport Canada has contributed more than \$100 million to such projects throughout the country. He indicated that Canada maintains one of the safest rail systems in the world and we are committed to further improving this system.

4. Transport Minister Announces Appointment to the Toronto Port Authority

The Minister announced the appointment of Steve T. Mirkopoulos to the board of directors of the Toronto Port Authority.

5. Consultations on the Information Bulletin on the Regulated Conduct Defence

On October 29, 2004, the Competition Bureau announced that it has begun consultations on the role of the regulated conduct defence (RCD) in the application of competition law. The RCD raises a number of questions about how sector-specific regulations and competition law intersect. Due to recent developments, the Bureau has decided to consult on this issue and has invited parties to provide comments and suggestions.

6. U.S.- Canada trade tiff not making the news

The latest U.S.-Canada trade tiff involves the advantages Canadian ships have over US ships in the Great Lakes. U.S. and all foreign ships pay a flat fee of 15c per tonne of cargo no matter how far they travel whereas Canadian ships pay half that much based on how far they travel. The Lake Carriers Association in Cleveland complained about this discriminatory fee providing Canadian ships a competitive advantage. Recently, Ottawa has decided to treat ships from U.S. and Canada in the same way. Canadian ship owners would like to see this dispute go away as no one wishes retaliation on Canadian ships in U.S. ports. Talks are underway to end this dispute and some suggest that this may be one of the quietest and quickest resolved trade disputes.

7. Road Fatalities Down

The statistics on road fatalities for 2003 indicate that collisions and casualties decreased by five percent from the previous year, and injuries were down by three percent over the same period. Canada's road safety record has steadily improved over the years, though road fatalities still represent over 90 percent of all transportation related fatalities. Transport Minister indicated that Transport Canada will continue to work to reduce fatalities.

8. Competition Bureau Settles Case with Air Canada

The Competition Bureau and Air Canada have resolved their litigation before the Competition Tribunal concerning allegations that Air Canada had engaged in anti-competitive practices directed against low cost carriers WestJet and CanJet, in 2000 and 2001. The Commissioner concluded that "In light of the passage of time and significant changes in the industry ... it would not be in the public interest to pursue the second part of this case" [that Air Canada had abused its dominant position under the abuse of dominant position provision of the *Competition Act*]. Part one of the case was concluded in June 2003 in which the Competition Tribunal clarified the application of the avoidable cost test to assess predatory pricing in the airline industry. The Bureau believes that the principles established by the Tribunal will be relevant for future cases.

9. An Act to implement the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment (www.parl.gc.ca).
10. Airport Activity Statistics (for 2003), The Daily, November 2, 2004, (www.statscan.ca).
11. Bill C - 19 "An Act to amend the Competition Act and to make consequential amendments to other Acts", November 2, 2004 (www.parl.gc.ca).
12. CN and CPR Report third Quarter Earnings Growth, November 2, 2004 (www.arcc.ca).
13. Conference on Shortsea Shipping Opens, Transport Canada, November 3, 2004 (www.tc.gc.ca).
14. Canada signs International Joint Ministerial Declaration to Strengthen Marine Safety, Transport Canada, November 3, 2004 (www.tc.gc.ca).
15. Poles get visit from Canadian rail industry, November 4, 2004 (www.joc.com).
16. Air fare statistics, The Daily, November 5, 2004 (www.statcan.ca).
17. Norfolk Southern, CN add CPR to eastern U.S. initiative, November 8, 2004 (www.joc.com).
18. Transportation of Dangerous Goods Congress opens today, Nov. 8, 2004 (www.ctl.ca).
19. CPR presents feds with "blueprint" for grain handling system, Nov. 8, 2004 (www.ctl.ca).
20. Port of Montreal reports major traffic surge, Nov. 8, 2004 (www.ctl.ca).
21. Foreign airlines balk at rising airport fees, The Globe and Mail, Nov. 8, 2004, p. B4.
22. WestJet chief aware of spying: Air Canada, The Globe and Mail, Nov. 6, 2004, pp. A1/A11. / Air Canada seeks to add WestJet executives to suit, National Post, Nov. 6, 2004, p. FP3. / New exhibits fuel airline espionage case, The Globe and Mail, Nov. 8, 2004, pp. B1/B4.
23. U.S. unlikely to rush in if open skies expands, Globe and Mail, November 9, 2004, p. B7.
24. For-hire motor carriers of freight, all carriers, The Daily, Nov. 10, 2004 (www.statcan.ca).
25. WestJet CEO offered to quit over spy fiasco, Globe and Mail, November 11, 2004, p. B4.
26. Major Transportation project completed, November 12, 2004, (www.tc.gc.ca).
27. Canada, New Brunswick Announce Completion of Victoria Street interchange ramps on Trans-Canada Highway, November 12, 2004, (www.tc.gc.ca).
28. NVOs win a big one, The Journal of Commerce, Volume 5, Issue 45, pp. 12-14.
29. Air Canada eyes profitable 2005, Globe and Mail, November 13, 2004, pp. B/B5.
30. Appointment to Investigate Pilotage proposals in Atlantic Region, Nov. 15, 2004, (www.tc.gc.ca).
31. EU, U.S. team on container security, November 16, 2004, (www.joc.com).
32. Freight sustainability Project Announced, November 15, 2004, (www.tc.gc.ca).
33. Air Sector Agrees to Reduce Greenhouse Gas Emissions, November 15, 2004, (www.tc.gc.ca).
34. For-hire motor carriers of freight, annual supplement: Financial statistics, The Daily, November 16, 2004, (www.statcan.ca).
35. Air Canada ready to mix it up, Milton says, Financial Post, November 16, 2004, p. FP6.
36. Lapierre to introduce Airports Act, Financial Post, November 16, 2004, p. FP6.
37. Pearson operator plans 18% increase in landing fees, Globe and Mail, November 16, 2004, pp. B1/B22.
38. WestJet had rogue IT unit that hacked into site: Milton, Globe and Mail, November 16, 2004, pp. B2. / Air Canada CEO says WestJet should 'come clean' on spying, National Post, Thursday, Nov. 18, 2004.
39. Planned fee increase at Pearson outrageous, airline group says, Globe and Mail, Nov. 17, 2004, pp. B9.
40. Bridge Added to Improve Traffic Flow in Surrey, B.C., Transport Canada, Nov. 17, 2004 (www.tc.gc.ca).
41. CN and CPR announce new network initiatives, November 17, 2004 (www.ctl.ca).
42. Global congestion to slow trade: APL chief, November 18, 2004 (www.joc.com).

9. An Act to implement the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment

This Act was referred to the Standing Committee on Transport on October 18, 2004. It deals with international issues involving financing for the purchase of aircraft. It establishes an international legal regime that includes remedies for creditors in cases of default. The result is: reduced risk for financiers, improved access to capital markets, and safer, more reliable and comfortable travel for passengers.

10. Airport Activity Statistics (for 2003)

Airport activity statistics for the calendar year 2003 are now available from Statistics Canada.

11. Bill C - 19 An Act to amend the Competition Act and to make consequential amendments to other Acts

The amendments deal with: seeking restitution for consumer loss resulting from false or misleading representations; introducing a general administrative monetary penalty provision for abuse of dominance in any industry; removing the airline-specific provisions from the Act to return it to a law of general application; increasing the level of administrative monetary penalties for deceptive marketing practices; and decriminalizing the pricing provisions (i.e. s. 50 - price discrimination, regional price discrimination and predatory pricing; and s. 51 - allowances).

12. CN and CPR Report third Quarter Earnings Growth

CN and CPR both reported strong earnings growth in the third quarter of 2004. CN reported net income of \$346 million, an increase of 18% over the same period last year, on record high revenues of \$1.7 billion. It also showed an improvement in its operating ratio to 65.4% for the period. CP reported net income of \$177 million an increase of 195% over the same period last year (the increase includes an after-tax gain of \$73 million on foreign exchange on long-term debt). CP showed a slight rise in its operating ratio to 77.9% in the third quarter of 2004 from 77.5% in the third quarter of the previous year.

13. Conference on Shortsea Shipping Opens

Transport Minister announced the opening of the National Marine Conference on Shortsea Shipping (Nov. 3-5). The Minister indicated that this conference is an excellent opportunity to further explore and promote the use of shortsea shipping on our waterways, to increase efficiency and possibly reduce costs. Promotion of shortsea shipping could have many benefits such as alleviating road congestion, facilitating trade, improving use of capacity, promoting modal integration and reducing green house gas emissions. The topics covered at the conference include modal integration, market prospects, regional and international perspectives, and public policy viewpoints.

14. Canada signs International Joint Ministerial Declaration to Strengthen Marine Safety

On November 3, 2004, Canada and 40 other countries and international organizations from Europe and the Pacific Rim signed a declaration on Port State Control (PSC). The declaration underlines joint commitments to eliminate substandard ships and minimize the threat they pose to life, property and the marine environment. PSC is an inspection program by countries to ensure that foreign vessels entering their waters are in compliance with strict international safety and anti-pollution standards. The declaration identifies two objectives for the coming years: the need to apply increasing pressure on operators of substandard ships; and the need to undertake new proactive PSC policies.

43. Travel between Canada and other countries, The Daily, November 18, 2004, (www.statcan.ca)
44. Ottawa netted \$234-million on air security charge, National Post, November 18, 2004, p. A4.
45. Canadian Pacific, Railinc partner on VAN messaging services, November 17, 2004 (www.ctl.ca).
46. Airlines Complaints May Now Be Heard, Financial Post, November 19, 2004, p. FP 3.
47. Language rules: An even tougher challenge than creditors? Globe and Mail, Friday, November 19, 2002, p. B1/B15.
48. Canadian Transportation Agency publishes Annual Report, November 19, 2004 (www.cta-otc.gc.ca).
49. Transport Minister aiming to cut airport rents, Globe and Mail, November 22, 2004, PB3.
50. Low Visibility Landings to Become Safer, Transport Canada, Nov. 22, 2004 (www.tc.gc.ca).
51. Transport Canada Calls for Child Seats on School Buses, National Post, Nov. 23, 2004, p. 4.
52. School Bus Travel to Be Safer, November 22, 2004, (www.tc.gc.ca).
53. Advisory Committee to Examine Future of Marine Atlantic Inc, November 22, 2004, (www.tc.gc.ca).
54. Transport Minister Warns Against Unruly Behaviour on Aircraft, November 23, 2004, (www.tc.gc.ca).
55. Video Technology To Improve traffic Flow At Canada's Busiest Border Crossing, November 23, 2004, (www.tc.gc.ca).
56. CN and Union Pacific reach routing protocol agreement to expedite interchange traffic, November 24, 2004, (www.cnr.ca)
57. Air Canada seeks level field, National Post, November 26, 2004, p. FP 3 / Air Canada wants bilingual rules to also apply to its competitors, Globe and Mail, November 26, 2004, p. B3.
58. International travel account, November 26, 2004 (www.statcan.ca)
59. Characteristics of international travellers, November 26, 2004 (www.statcan.ca)
60. Vancouver's China syndrome, National Post, November 29, 2004, pp. FP1-2
61. E-sleuths dissect WestJet hard drives, Globe and Mail, November 29, 2004, pp. B1/12.

Other Current Developments in Brief U.S./EU

1. Breakbulk volume to grow (15th Annual Breakbulk Transportation Conference), Nov. 1, 2004 (www.joc.com).
2. Imports reflect economic change (15th Annual Breakbulk Transportation Conference), Nov. 1, 2004 (www.joc.com).
3. Industry facing capacity challenges (15th Annual Breakbulk Transportation Conference), Nov. 1, 2004 (www.joc.com).
4. Breakbulk recovering from long slump (15th Annual Breakbulk Transportation Conf), Nov. 1, 2004 (www.joc.com).
5. TransPacific carriers hike rates, Nov 2, 2004 (www.joc.com).
6. U.S. Federal Maritime Commission to allow NVOCCs to enter into confidential contracts, Nov. 1, 2004 (www.ctl.ca).
7. Preliminary Data on Road Safety in Europe in 2003 [improvement continues in the West and mixed progress in the centre and east], Nov. 1, 2004 (www.oecd.org).
8. Port of Oakland rail "shuttle" to lure importers, November 3, 2004 (www.joc.com).
9. Focusing on Freight, Remarks of Jeffrey N. Shane, Under Secretary for Policy, 15th Annual Breakbulk Conference and Exhibition, [His remarks were on: Transportation in a Global Economy; SEA-21 (an assessment of how maritime transportation system might be more effective); developing an intermodal approach; and a near term freight action agenda] November 3, 2004 (www.dot.gov).
10. Remarks for the Honorable Norman Y. Mineta, Secretary of Transportation, Air Traffic Control Association, Washington, November 1, 2004 (www.dot.gov).
11. P&O port traffic boom, Nov. 5, 2004 (www.joc.com).
12. Flight Delays in September Decrease from Previous Month [U.S. Air Travel Consumer Report released by US DOT], [It covers: information on causes of flight delays; flight cancellations, mishandled baggage; bumping; complaints about airline service; complaints about treatment of disabled passengers; and complaints about discrimination] Nov.4, 2004.

15. Poles get visit from Canadian rail industry

The Canadian Railway Association of Canada and the Canadian Association of Railway Suppliers met with legislators in Ottawa on November 3rd and 4th to present their views in order to draft 'meaningful' legislation. One of the biggest issues was to foster rail modernization and growth in capacity. Other issues were to avoid regulatory intervention, passenger-rail services, short lines and the tax disadvantages faced by Canadian railroads (more than twice that paid by US rails).

16. Air fare statistics

In 2000, the average domestic air fare (all types) paid by passengers was a record \$224, up 6.8% from the previous record of \$209 in 1999. The average international air fare was \$359 in 2000, down 3.1% from 1999 and 6.2% below the record average international fare of \$382 in 1994. In 2000, a record 90.3% of passengers on domestic scheduled services flew on discount fares, up 2.0 percentage points from 88.3% in 1999. On international scheduled services, a record 94.6% of passengers travelled on discount fares, up 4.5 percentage points from 90.1% in 1999.

17. Norfolk Southern, CN add CPR to eastern U.S. initiative

NS, CN and CPR reached an agreement whereby NS and CN will obtain a seamless direct north-south routing over CPR's lines and those of its subsidiary, Delaware and Hudson Railway, will generate more traffic

and revenue. The agreements will cut routes by 330 miles and reduce transit time by about two days. It will reduce cost by sending freight over the most efficient routing.

18. Transportation of Dangerous Goods Congress opens today

On November 8-9, Transport Canada began its Dangerous Goods Congress which will focus on how to improve regulations and responsible practices for the safe transport of dangerous goods in Canada.

19. CPR presents feds with "blueprint" for grain handling system

At a one day meeting in Winnipeg, CPR presented its blueprint for Canada's grain handling system (GHS). CPR indicated that it wants to ensure the most reliable, and cost-effective GHS. According to the blueprint Transport Canada will maintain ownership of the hopper car fleet as part of a long term operating agreement and cars would continue to be leased to the railways. The railways would ensure future capacity for future grain and would operate cars as part of a larger fleet. They would continue to maintain cars to industry standards at the same time initiating a major quality enhancement program. This would end the debate on disposal price and stimulate investment in cars.

20. Port of Montreal reports major traffic surge

The Port of Montreal recorded traffic increases (11.6% or 15.4 million tonnes) in all but the non-containerized general cargo sector in the first nine months of 2004. The latter was largely due to the drop in steel imports.

21. Foreign airlines balk at rising airport fees

Foreign airlines are threatening to divert international traffic away from Canadian airports (Pearson) if fees aren't lowered. One such airline is El Als. Airlines claim that landing fee increases of 29 per cent last year and 27.7 percent this year are not justified. They have begun a lobbying campaign. The Greater Toronto Airports Authority claims that their customers are getting better services and that they knew that they would have to pay higher fees to finance the terminal.

22. WestJet - Air Canada

Air Canada has now sought to add Mr. Beddoe and four new defendants to the \$220 million lawsuit against WestJet in a motion filed on November 5 in the Ontario Superior Court of Justice. Air Canada has added additional exhibits to strengthen its case. WestJet claims that the lawsuit is not to recover damages but to distract the market and discredit Westjet. In a separate lawsuit Jetsgo is also accusing Westjet of spying.

23. U.S. unlikely to rush in if open skies expands

If the open skies agreement is expanded, industry observers say, US airlines will not be in a rush to do battle with Canadian carriers. The short term prospects for free trade in aviation do not look good. At the moment the industry is not healthy. Industry experts say that the argument for encouraging U.S. entrants into Canada has been weakened with WestJet's larger market share. The busiest routes are likely to attract the most attention. US is leaving the door open

13. Record throughput for Port of Seattle in September, November 18, 2004 (www.ctl.ca).
14. DHS official says Bush plans port security directive, November 19, 2004 (www.joc.com).
15. Congestion over at LA-Long Beach, November 19, 2004 (www.joc.com).
16. 45 States Receive Federal Grants to Coordinate Transportation Services, November 19, 2004 (www.dot.gov).
17. Record volume for West Coast ports, November 19, 2004 (www.joc.com).
18. Seattle surpasses volume, November 19, 2004 (www.joc.com).
19. EU transport scandal, [Involves failure to reveal 8-month suspended sentence by EU Transport's Commissioner] November 23, 2004 (www.joc.com).
20. Congress passes trade bill, [One aspect of this bill is that it provides relief from the 50% duty on foreign made ship parts that US crews use at sea for repairs] November 23, 2004 (www.joc.com).
21. U.S. Transportation Secretary Norman Y. Mineta Announces Southern California Initiative to Help Address Port Growth at Los Angeles and Long Beach Port Complex, [Involves opening an office to provide officials with latest information and an on-site ombudsman] November 23, 2004 (www.dot.gov).
22. New Data Show Rising Safety Belt Use Rates in Most States, Nov. 23, 2004 (www.dot.gov).
23. US study says US infrastructure not equipped to handle future volume [Rail land road will not be able to handle increase in domestic freight 57% and a doubling of import-export by 2020], Nov. 25, 2004 (www.ctl.ca).

Conferences

1. Supply Chain and Logistics Summit, Dec. 6-8, Scottsdale, Arizona.
2. Maritime Exposition, Paris, France, Dec. 8-11.
3. U.S. Custom and Border Protection Trade Symposium 2004, Jan. 13-14, Washington, DC.
4. Pharma Supply Chain Summit 2005, Feb. 21-22, Toronto, Ontario.
5. First Annual EPC Global Canada Conference on EPC/RFID, March 1-3, Toronto, Ontario.
6. WERC Annual Conference, May 1-4, 2005 Dallas, Texas.
7. Transport Logistics 2005, May 31-June 3, Munich, Germany.

to cabotage. A spokesman for U.S. transportation Secretary Mineta said “We strongly support open skies, as well as market liberalization.”

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

For-hire trucking companies (\$1m. or more) increased to 3,186 in the second quarter of 2004 from 2,887 in the second quarter of 2003. Revenues and expenses increased (by 18.9% and 21.9%) over the same period. The operating ratio (operating expenses/operating revenue) improved to .92 from .93 over the same period.

25. WestJet CEO offered to quit over spy fiasco

WestJet’s airline chief offered to quit months ago over the espionage scandal but the board of directors rejected his resignation. He accused Air Canada of attempting to beat its competitor rather than trying to settle the matter. The addition of his name now to the list of defendants he claimed is a ‘low blow’.

26. Major Transportation project completed

Upgrades to the Trans-Canada Highway between Sorrento and Salmon Arm have now been completed. Transport Canada funded 50 per cent of the eligible costs under the Strategic Highway Infrastructure Program.

27. Canada, New Brunswick Announce Completion of Victoria Street interchange ramps on Trans-Canada Highway

Improvements to the Trans-Canada Highway between the Hébert Boulevard and Mont Farlagne interchanges in Edmundston, N.B. have been completed. The cost of the project was shared between the federal and provincial government.

28. NVOs win a big one

Non Vessel Operating Common Carriers (NVOCCs) are pleased with the FMC ruling that they will be able to offer confidential contracts but they still want an end to tariff filing. This would partially correct the imbalance created by Ocean Shipping Reform Act in 1998 when vessel operating carriers were given the right to negotiate confidential service contracts and were freed from filing tariffs. The Federal Maritime Commission had the power to grant exemptions to the NVOCCs but with the increasing number of individual applications the Commission did not wish to proceed and decided to propose new rules.

29. Air Canada eyes profitable 2005

Air Canada reported a loss of \$81 million for the third quarter of 2004 compared to the loss of \$263 million for the second quarter. Robert Milton, ACE’s chairman and CEO said “Notwithstanding an obvious concern over fuel prices, we continue to expect to achieve significant profitability in 2005 over the full year.” Air Canada’s load factor for the third quarter was 81 percent compared with 77.5 percent for the same quarter last year.

30. Appointment to Investigate Pilotage proposals in Atlantic Region

An appointment was made to investigate objections to proposed changes to regulations regarding the pilotage of ships in the Atlantic region. The proposed changes to regulations were initiated by the Canadian Transportation Agency. Several notices of objections to the proposed changes were received by the Minister of Transport.

31. EU, U.S. team on container security

The EU has adopted the first measures on maritime container security agreed to in a recent pact (Container Security Pact i.e., CSI) with the United States. The EU complained that security measures threatened to distort competition between ports in EU countries that signed bilateral CSI deals with the U.S. and those that had not. It also alleged that these bilaterals breached EU laws.

32. Freight sustainability Project Announced

Transport Minister announced that Mechtron Power Systems has been chosen to receive a maximum of \$250,000 under the Freight Sustainability Demonstration Program to demonstrate the fuel efficiency of its auxiliary power units for heavy-duty truck engines

33. Air Sector Agrees to Reduce Greenhouse Gas Emissions

Transport Canada announced a voluntary agreement with Air Transport Association of Canada (ATAC). Under the agreement, ATAC will encourage its members to reduce their collective emissions by 1.1 percent a year reaching a total cumulative improvement of 24 percent by 2012 compared to the base year of 1990.

34. For-hire motor carriers of freight, annual supplement: Financial statistics

In 2003, an estimated 2,900 for-hire motor carriers of freight earned at least \$1 million annually. Their operating revenues totalled \$20.5 billion and their operating expenses totalled \$19.6 billion resulting in an operating ratio of 0.96. The net profit of the for-hire carriers of freight in 2003 was \$564 million, down by more than 20% from its 2002 level of \$711 million.

35. Air Canada ready to mix it up, Milton says

Air Canada’s CEO, at the Accenture Speakers Forum, indicated that he is ready to inflict the same kind of damage on low-cost rivals that discount carriers inflicted on them. He indicated that fuel costs remain a concern. They have cut operating costs and are pursuing another strategy to sell more tickets via the Internet. To achieve the full benefits of a lower cost strategy, federal regulations will have to be loosened - loosening foreign ownership limits and increasing access to the US market. He was in favour of Transport Minister’s recent proposals.

36. Lapierre to introduce Airports Act

In an address to the Air Transportation Association of Canada, Transport Minister, said he is considering sweeping changes to legislation governing the air transport industry, including the possible elimination of foreign ownership restrictions (i.e., raising it to 49%) and a more liberal Open Skies deal that could include Mexico. He plans to introduce an Airports Act that would take into account industry concerns about excessive rents and user fees. He indicated that we should ask ourselves a number of questions of whether we want a more Open Skies Agreement with the US.

37. Pearson operator plans 18% increase in landing fees

The Greater Toronto Airports Authority (GTAA) has told airlines that it plans to increase landing fees at Toronto's Pearson International Airport by \$4.97 a tonne for 2005, an increase of 18 percent. This increase is expected to put further pressure on domestic and foreign carriers to reduce service at this airport. A spokesperson for the GTAA has indicated that the plan to increase fees is not final. Pearson ranks the second highest in the world (behind Tokyo's Narita Airport) with respect to landing fees. The Minister has indicated he is interested in reducing rents airports pay to the government provided the savings are transmitted to the airlines.

38. WestJet had rogue IT unit that hacked into site: Milton/Air Canada CEO says WestJet should 'come clean' on spying

Air Canada's CEO, indicated that Westjet collected information that enabled it to raise fares as soon as it knew that Air Canada's flights were fully booked. None of the allegations have yet been proved in court. Air Canada indicated that it is looking to buy planes for use on the profitable Asian and Latin American routes. Air Canada CEO says that Westjet should reveal what they have done, as Air Canada has more information that has not been made public.

39. Planned fee increase at Pearson outrageous, airline group says

Mr. Concil IATA's director of communications in Geneva said "Pearson has increased its landing fees by 208 percent already since 1998" and that the 18 percent fee proposal for the GTAA could affect airlines growth plans for Toronto as a destination. It could also hurt Toronto airport's competitiveness. He indicated we need efficient terminals. He urged Transport Minister to relieve the pressure on the GTAA by reducing the rents Ottawa charges the GTAA. Spokeswoman for the GTAA said that no decision has yet been made on the landing fee increase. She also disputed that Pearson is a high cost operator for the value the airport provides. Air Canada spokeswoman also expressed concern of the escalating cost for doing business at its Pearson hub. Prof. Oum indicated that Pearson ranks 20th in the ranking of operating efficiency among 40 North American airports.

40. Bridge Added to Improve Traffic Flow in Surrey, B.C.

Industry Minister, Transport Minister and B.C. Minister of Transportation announced that work will begin on the construction of a new parallel bridge to improve the movement of people and goods to and from the Lower Mainland border crossings. West Shore Constructors Ltd. of North Vancouver has been awarded the contract.

41. CN and CPR announce new network initiatives

To improve railway transit times and asset utilization, CN and CPR have reached agreement on three new network initiatives. These initiatives provide for: 1) a slot-sharing arrangement between Edmonton and CoHo, B.C.; 2) a directional running arrangement between Waterfall, Ontario and Parry Sound, Sudbury; and 3) a haulage arrangement between Thunder Bay and Franz.

42. Global congestion to slow trade: APL chief

The chief executive of APL warned that the growth of world trade is threatened by port and rail congestion, not just in the United States, but worldwide. This will become particularly acute when 8,000 to 9,000 TEU container ships are employed in 2005 and 2006. Similar sentiments were echoed by the head of Singapore's Neptune Orient Lines. This could affect productivity. The problems in Los Angeles-Long Beach are the worst. He indicated that governments in many regions have yet to understand the implications of inadequate infrastructure.

43. Travel between Canada and other countries

Canadian 'travel abroad' increased in September from August (by 4.3%) for the first time in six months. From September 2003 to September 2004, travel abroad increased 4.7 percent; and Canadian travel to the U.S. and to other countries increased 3.4% and 15.2%. The overseas markets that showed the most increases (i.e., above 35%) were Japan, South Korea, China and Hong Kong. 'Travel to Canada' increased 8.2%; and travel from the U.S. and other countries

Recent Publications

1. Canadian Transportation Annual Report 2003.
2. MARAD Customer Satisfaction Report, August 2004

Other Speeches

1. Speaking notes for Transport Minister at the Fall Conference and Trans-Expo 2004 of the Canadian Urban Transit Association, Montreal, Quebec, November 8, 2004.
2. Speaking notes for Transport Minister to the 70th Annual General meeting of the Air Transport Association of Canada, Vancouver, November 15, 2004.
3. Speaking notes for Transport Minister to the Standing Committee on Transport on the Estimates, Ottawa, November 18, 2004.

to Canada were 5.2% and 31.4% from September 2003 to September 2004.

44. Ottawa netted \$234-million on air security charge

The Federal government received \$234 million more on security charge than it spent on air security. Audited data from the Department of Finance indicated that the Air Travellers Security Charge brought in \$443 million in 2002-3 while the government spent \$209 million. Air travellers paid \$24 security charge on every round-trip ticket.

45. Canadian Pacific, Railinc partner on VAN messaging services

Railinc and Canadian Pacific Railway announced the signing of a multi-year commitment to implement Railinc's NextPath Value Added Network (VAN) messaging services. NextPath is a VAN that facilitates the flow of supply chain information among railroads and their trading partners.

46. Airlines Complaints May Now Be Heard

The air transport industry claims the federal government is targeting this sector unfairly - through airport rent, fuel excise taxes and a security fee - despite the fact that the industry is caught in a severe financial downturn. The fact that travellers have had to pay \$234 million more in security in 2002-3 and the increase in airport rents expected to be about 48% by 2007 have resulted in complaints. But this may be changing. The security charge has been reduced to between \$14 and \$12 and Transport Minister said before the House of Commons Transport Committee that "the air industry has "compelling" arguments on the airport rent front. We have to correct some of the inequities in the system."

47. Language rules: An even tougher challenge than creditors?

Air Canada wants a "level playing field" when it comes to bilingualism. It has made major attempts to cut costs and wishes to cut its costly business of bilingualism. It claims that it has to employ two flight attendants instead of one in case one is uni-lingual eg. in the West. It maintains seven translators or staff available 24 hours a day, along with an additional 10 on call. It also points to the costs of advertising in both languages. Air Canada claims that it is not anti-French but to comply with the *Official Languages Act* it has to keep its translation department busy. Air Canada however agrees with the need to provide bilingual services where demand is high for french services.

48. Canadian Transportation Agency publishes Annual Report

The Canadian Transportation Agency released its 2003 Annual Report. In 2003, the Agency issued a total of 3,164 rulings, made up of 726 decisions, 641 orders, 1,461 permits/licences, 56 final letter decisions and 280 interim decisions. Of the rulings, 2,629 related to air transportation, 335 related to rail, 106 related to marine and 94 related to accessible transportation.

49. Transport Minister aiming to cut airport rents

Transport Minister says he'll present plans to the federal cabinet within the next five weeks to cut airport rents, hoping that the reduction in rents or savings to the airport authorities will trickle down to the struggling airline industry and travellers. The Minister indicated that Transport Canada relies on these rents to help pay for its bills so any losses in income from rent reduction will have to be covered by the government's annual surplus. Airport rents were negotiated between the airports and federal government but have become a major irritant due to aviation's financial problems.

50. Low Visibility Landings to Become Safer

Transport Minister Jean-C. Lapierre announced proposed amendments to the Canadian Aviation Regulations to improve the safety of runway approaches in poor visibility.

51. Transport Canada Calls for Child Seats on School Buses

To deal with a new 'social phenomenon' of very young preschoolers riding a school bus Transport Canada wants them equipped with child-seat anchors. The new features are expected to affect 3,200 buses a year and cost manufacturers more than \$1million annually.

52. School Bus Travel to Be Safer

Transport Minister announced that under a new proposal school buses will be required to be equipped with attachments for infants. It will make these buses even safer especially for children weighing 18 kgs or 40 lbs. Transport Canada is therefore proposing to amend the *Motor Vehicle Safety Regulations*.

53. Advisory Committee to Examine Future of Marine Atlantic Inc.

Transport Minister and Natural Resources Minister announced the formation of an advisory committee to examine the future of Marine Atlantic Inc.(MAI). This company is an independent crown corporation mandated to provide services between Newfoundland/Labrador and Nova Scotia. The Government is committed to stabilize MAI in order to meet its constitutional obligations under the Terms of Union. The Committee will focus on: the economic importance of MAI,

and its services, the quality and level of service required; fleet configuration and renewal; future capital requirements; efficiencies of MAI's operations; alternative service delivery; ongoing partnership opportunities; and long-term funding solutions and pricing strategies. The Committee will undertake consultations and release its report in March 2005.

54. Transport Minister Warns Against Unruly Behaviour on Aircraft

Transport Minister issued a warning to travellers to avoid disruptive behaviour on aircraft. Interference with crew members performing their safety duties pose an unnecessary risk to passengers and could be subject to criminal charges.

55. Video Technology To Improve traffic Flow At Canada's Busiest Border Crossing

New video detection and surveillance equipment will be installed to improve the flow at Canada's busiest border crossing -- Windsor-Detroit. This project is estimated to cost \$1.73 million. The project will be jointly funded by the Government of Canada and the Government of Ontario. Federal funding will come from the Border Infrastructure Fund.

56. CN and Union Pacific reach routing protocol agreement to expedite interchange traffic

CN and Union Pacific Railroad announced that they have reached a routing protocol agreement to streamline their exchange of rail traffic at major gateways. The agreement will help to reduce rail congestion at Chicago. The agreement is supposed to increase efficiency at interchanges that will improve transit times and provide better service to customers. It will also involve changes in traffic patterns.

57. Air Canada seeks level field / Air Canada wants bilingual rules to also apply to its competitors

Air Canada at a Parliamentary Committee Hearing complained that it is being penalized by compliance with the federal bilingual rules. It complained that it is spending tens of millions of dollars and indicated that if the rules are not relaxed its rivals should have to play by the same rules. However, the Committee was not sympathetic. The Committee indicated that part of these costs complained of in training Canadian Airlines workers was part of the agreement that Air Canada entered into as a condition of approving the acquisition transaction.

58. International travel account

Canada's international trade deficit improved for the third quarter between July and September of 2004 an overall decline of 5.4%. For the US, it reached a one year low of \$397 million and for other countries it reached \$553 which represent declines of 5% and 3.9%.

59. Characteristics of international travellers

Foreign visitors (4.9 million) travelling to Canada increased during the second quarter of 2004 up 17.4% from the second quarter of 2003. Two-thirds of these visitors were from the U.S. Overnight travel to Canada by foreigners increased in the second quarter of 2004 after its fall in the second quarter of 2003.

60. Vancouver's China syndrome

Volume at the Port of Vancouver is up 56% this year as a result of China's growing demand. This has resulted in cargo terminal, rail and road congestion. Vancouver announced plans to spend \$1.4billion on new infrastructure to triple its container capacity by 2020. Observers indicated that this is not enough as the goods have to be moved inland and railways will have to follow suit with investment.

61. E-sleuths dissect WestJet hard drives

H+A Computer Forensics Inc. has been appointed as a forensic auditing firm by an Ontario Superior Court judge to scrutinize the hard drives seized from Westjet Airlines Ltd. and its Chairman to uncover evidence of spying against Air Canada.