

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Government of Canada preserves official language protection in the restructured Air Canada

Transport Minister announced that the Government of Canada will amend legislation to ensure that the official language obligations continue to apply to the restructured Air Canada (this also includes its former internal divisions and subsidiaries).

### 2. Ground plans to open air market, pilots urge Ottawa

President of the Canadian division of the Air Line Pilots Association in its testimony before SCOT urged the government to fix flaws that govern the air sector such as the airport rent scheme rather than to consider plans to open up Canada's air market. He indicated that the government has imposed a number of charges which airlines are unable to pass on to consumers in a highly competitive market. Of all these charges, airport rents have attracted the most attention. He also indicated "We do not believe that foreign control of our airline sector or operations by foreign carriers within our domestic marketplace are part of the solution."

### 3. Spying led to airport switch, court told

Air Canada has filed new exhibits in support of its espionage lawsuit against WestJet. Air Canada's vice-president of planning in an affidavit stated "The defendants used the plaintiffs' confidential information in order to assist them in planning WestJet's change of its eastern base from Hamilton to Toronto." Spreadsheets were found on the computer of one of the accused comparing certain origin-destination markets in this espionage case.

### 4. Air Canada Simplifies Travel for Small Businesses

Air Canada has established a new online suite of self-service booking tools to manage travel for small and medium size businesses. It will help to book, track and monitor travel trends and expenditures for themselves.

### 5. Settlement agreement reached over fixed link to Toronto City Centre Airport (TCCA)

Transport Minister announced on May 3, 2005, a settlement with the Toronto Port Authority (TPA) to resolve outstanding legal issues that arose following the decision to prohibit construction of a fixed link to the TCCA. The settlement includes payment of \$35 million by the Government of Canada to the TPA.

### 6. WestJet discontinues service to LaGuardia; Announces new direct non-stop flights to Victoria

On May 4, 2005, WestJet announced it is discontinuing service to LaGuardia airport effective July 4, 2005. It began service to this airport on September 28, 2004. The vice-president indicated that the inability to secure gates at LaGuardia has prevented it from making the market a viable route. The cancellation of this route will enable WestJet to add a flight from Toronto to Victoria.

### 7. Air Liberalization and the Canadian Airports System Remarks to the House of Commons Standing Committee on Transport

The Commissioner indicated that in the domestic air market the Bureau continues to support the eventual removal of all restrictions on the ownership and control of

## Current Developments in Brief

### Air Transportation CANADA

1. Government of Canada preserves official language protection in the restructured Air Canada, May 2, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Ground plans to open air market, pilots urge Ottawa, *National Post*, May 3, 2005, p. FP4.
3. Spying led to airport switch, court told, *Globe and Mail*, May 3, 2005, pp. B1/B19.
4. Air Canada Simplifies Travel for Small Businesses, May 4, 2005, [www.aircanada.ca](http://www.aircanada.ca)
5. Settlement agreement reached over fixed link to Toronto City Centre Airport, May 3, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
6. WestJet discontinues service to LaGuardia; Announces new direct non-stop flights to Victoria, May 4, 2005, [www.westjet.com](http://www.westjet.com)
7. Air Liberalization and the Canadian Airports System Remarks to the House of Commons Standing Committee on Transport, May 4, 2005, [www.ic.gc.ca](http://www.ic.gc.ca)
8. Air Canada reports thirteenth consecutive month of record load factors for April, May 5, 2005, [www.aircanada.ca](http://www.aircanada.ca) / WestJet's April load factor increases to 68.8%, May 5, 2005, [www.westjet.ca](http://www.westjet.ca) / Airline profits soar after Jetsgo's demise, May 5, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)
9. Ottawa may cut airport rent increases, *National Post*, May 6, 2005, FP 6.
10. Government of Canada cuts airport rents, May 9, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
11. Airport Movement Statistics, Volume I, January 2005, [www.statcan.ca](http://www.statcan.ca)
12. WestJet lowers its fares to and from Hamilton to \$20.00 lower than Toronto, May 11, 2005, [www.westjet.com](http://www.westjet.com)
13. Comments of Jim Facette, 'To the Standing Committee on Transport / The Airport Community Relationship is stronger and more transparent than ever' CAC President Tells SCOT, May 9, 2005, [www.cacairports.ca](http://www.cacairports.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 responsible for it.

Canadian air carriers. As a first step, the Bureau supports increasing the limit on foreign ownership of voting shares in Canadian air carriers to 49 percent. Support for allowing rights of establishment to permit foreign owned 'Canada only carriers' was reiterated together with support for reciprocal cabotage. In the transborder market, the Bureau supports negotiations to further liberalize Canada's air agreement with the US. In the international markets, the Bureau indicated that opportunities for negotiation of international agreements creating more open competition.

#### **8. Air Canada reports thirteenth consecutive month of record load factors for April / WestJet's April load factor increases to 68.8% / Airline profits soar after Jetsgo's demise**

Air Canada reported a domestic passenger load factor of 82% and a system passenger load factor of 80.5%, the highest ever for April 2005. The company indicated "this ongoing strong performance reflects a definite trend towards increasing customer preference for Air Canada over and above the market's recovery." WestJet, on the other hand, reported a load factor of 68.8% in April 2005 compared to 65.5% in April 2004. The company indicated that the April load factor was affected by the fact that the Easter week end this year was in March and not in April as was the case in 2004.

#### **9. Ottawa may cut airport rent increases**

Under a new scheme to be announced, most of the country's airports are to get a break on the future increases in rent to be paid to the government. The release according to unofficial sources is expected to be at the expense of Toronto's Pearson airport. There are two elements to this scheme: first, each airport will have to pay a percentage of their revenue to the government (this is expected to benefit medium sized airports); and Toronto airport will not obtain any reduction in rent increases that are scheduled to take effect during the course of the airport lease. Further, fine tuning to the government's proposal may be expected.

#### **10. Government of Canada cuts airport rents**

Transport Minister Jean-C. Lapierre announced on May 9, 2005 that the Government of Canada will adopt a new rent policy for federally-owned airports. This will result in rent relief of \$8 billion over the course of the existing airport rent leases. He said "By lowering airport rents by 60 per cent, the Government of Canada is radically changing the financial outlook of the air transport sector in Canada. Through this policy, our major airports will see a substantial reduction in long-term costs, which should greatly benefit airlines and the travelling public." The rent is based on modern commercial leasing principles and the rent formula is based on a progressive scale based on airport gross revenues. Some of the highlights are: all airports will be treated equitably; Toronto will save \$5 billion; Halifax, Montreal and Winnipeg will see its rents reduced by half and for Ottawa it would be by two-thirds; Calgary will avoid huge increases in rent in 2006 and will save \$100 million in the next four years, Edmonton will see a \$40 million drop and Vancouver will realize a \$90 million reduction; and smaller airports will see a drop of rent by 70 percent.

#### **11. Airport Movement Statistics**

Canadian airports (42) with NAV CANADA air traffic control towers reported a increase in take-offs and landings of 5.9% to 283,328 for January 2005 compared to 267,541 for January 2004. Toronto's Pearson airport was the most active.

**12. WestJet lowers its fares to and from Hamilton to \$20.00 lower than Toronto**  
WestJet has decided to lower its fares from Hamilton, Ontario (John Munro Hamilton International Airport). The fares will be \$20 lower than fares to and from Pearson airport in Toronto.

#### **13. Comments of Jim Facette, 'To the Standing Committee on Transport / The Airport Community Relationship is stronger and more transparent than ever' CAC President tells SCOT**

The Comments of Jim Facette fall under five subtitles: Introduction; Governance and Transparency; Open Skies; Federal\_Airport Rent and Chattel Payments; and

Conclusion. Regarding Open Skies, he indicated that CAC strongly supports the most 'open' open skies regime we can get. Airports and their communities will do best when they can compete openly, without restriction, for additional passenger and cargo capacity. Such increases reduce airport costs but more importantly build economic growth in the

14. EU wants renewed aviation talks, *JOC Weekly*, May 2, 2005, p. 10.

15. ACE Aviation Holdings Inc. releases first quarter results, May 13, 2005, [www.aircanada.ca](http://www.aircanada.ca)

16. Jetsgo declares bankruptcy, May 13, 2005, [www.nationalpost.com](http://www.nationalpost.com)

17. Discount airline carrier Jetsgo tells Montreal court it's bankrupt, May 16, 2005, [www.canada.com](http://www.canada.com)

18. Jetsgo's air operator certificate cancelled, May 13, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

19. Air Canada inaugurates new cargo service to Shanghai, May 15, 2005, [www.aircanada.ca](http://www.aircanada.ca)

20. Ottawa gouging airports, business leaders say, *National Post*, May 16, 2005, p. FP2.

21. Parent ACE mulls Air Canada spinoffs, *Globe and Mail*, May 14, 2005, p. B5 / ACE Aviation lands \$77m. Q1 loss, *National Post*, May 14, 2005, p. FP3.

22. US Airways, America West closing in on merger agreement, *Globe and Mail*, May 16, 2005, p. B6.

23. ACE Aviation announces planned investment in merged US Airways-America West carrier, May 19, 2005, [www.aircanada.ca](http://www.aircanada.ca)

24. Air Canada Aeroplan taxiing for trust status and a major IPO, May 18, 2005, [www.globeandmail.com](http://www.globeandmail.com)

25. Ace Aviation Holdings issues the following statement on Aeroplan, May 19, 2005, [www.aircanada.ca](http://www.aircanada.ca)

26. Air Canada expands maintenance unit, *National Post*, May 18, 2005, p. FP4.

27. Designation of Canadian air carriers to operate services between Canada and China, May 18, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

28. Feds pony up for risky Bombardier jet, *National Post*, May 14, 2005, p. FP 4.

29. Government funding for Bombardier jet draws opposition, *Globe and Mail*, May 14, 2005, p. B6.

30. Introduction of Amendments to the *Aeronautics Act*, May 17, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

31. TIACA [The International Air Cargo Association] urges liberalization of all-cargo flights, May 17, 2005, [www.ctl.ca](http://www.ctl.ca)

32. Aircraft movement statistics, *The Daily*, May 19, 2005, [www.statcan.ca](http://www.statcan.ca)

33. Air Liberalization and the Canadian Airport System, Interim Report, Standing Committee on Transport, May 2005.

community. The CAC's responses to the Minister's eleven questions are posted on their website. He indicated that when we measure the performance of airports against the eight guiding principles enunciated in the transfer policy we pass the test with great success.

#### **14. EU wants renewed aviation talks**

The EU transport ministers say they support the EU executive Commission's goal to restart aviation talks on a US trans-Atlantic aviation agreement. Last year talks broke down after the EU ministers demanded more access for European airlines to the US domestic market. Later, EU officials said that it would seek an end to US laws that block foreign lines from owning US carriers. This source indicates that the shift in demand signals a shift away from EU demands for cabotage.

#### **15. ACE Aviation Holdings Inc. releases first quarter results**

ACE Aviation Holdings Inc. (predecessor company Air Canada) reported an operating loss of \$10million for the first quarter of 2005, an improvement of \$135million from the operating loss a year ago. Operating revenue was up 56million or 3%. Passenger traffic (revenue passenger miles) increased 5 per cent on a capacity decrease of 2%, as measured by available seat miles, resulting in a passenger load factor improvement of 5.1%. Passenger revenue per available seat mile, on a comparable basis, is up 3% reflecting the significant improvement in the passenger load factor. ACE is the only North American carrier that had improved results for the first quarter of 2005.

#### **16. Jetsgo declares bankruptcy**

Jetsgo announced its bankruptcy today (i.e. May 13, 2005). Michel Leblanc hoped to have the carrier operating again in June 2005 but was unable to persuade some of the airline's creditors to agree to his restructuring plan.

#### **17. Discount airline carrier Jetsgo tells Montreal court it's bankrupt**

Jetsgo declared formal bankruptcy on May 13, 2005 setting the stage for the sale of the carrier's remaining assets, including 10 Fokker -100 aircraft. Creditors are owed an estimated \$108 million. This eliminates any hope of the airline returning to the skies on June 23.

#### **18. Jetsgo's air operator certificate cancelled**

Transport Canada announced the cancellation of Jetsgo's operating certificate effective Saturday, May 14, 2005 following Jetsgo's decision to file for bankruptcy protection.

#### **19. Air Canada inaugurates new cargo service to Shanghai**

Air Canada inaugurated a new all cargo service to Shanghai from Toronto's Pearson Airport on May 15, 2005. This service will be operated three times a week using an MD-11 aircraft with a total cargo capacity of 84 tonnes. Air Canada is the only Canadian carrier to offer direct freighter service from Canada to China.

#### **20. Ottawa gouging airports, business leaders say**

According to a recent poll done by *Financial Post*, 75% of business leaders believe Canadian airlines are paying too much rent. The recent cuts of \$8 billion proposed have failed to appease the industry and the polls agreed with industry. 18% of survey respondents feel that the airline industry should not have to pay any rent and another 27% feel that the airlines should pay a lot less. 61% of the respondents say that the savings are too small to be meaningful as the Canadian airline industry is in crisis.

#### **21. Parent ACE mulls Air Canada spinoffs / ACE Aviation lands \$77m. Q1 loss**

ACE has indicated its intention to sell of a portion of its Aeroplan loyalty rewards program. ACE reported a first quarter loss of \$77 million down from the \$304 million it incurred for the first quarter last year. Air Canada indicated it was hurt by high jet-fuel prices but benefited from the demise of Jetsgo Corp. The company is forecasting a profit for 2005, the first since 1999.

#### **22. US Airways, America West closing in on merger agreement**

US Airways and America West (the seventh and eight largest airlines in the US) are closing in on a merger agreement. Air Canada's parent ACE is considering investing \$100 to \$150 million in equity in the new entity. It is believed that Air Canada's interest is driven by potential business synergies, such as winning maintenance work from the combined airline and building stronger relationships with other members of the global Star Alliance marketing group.

#### **23. ACE Aviation announces planned investment in merged US Airways-America West carrier**

ACE Aviation Holdings announced on May 19, 2005 its intention to invest US\$75 million in the merged US Airways -America West carrier following US Airways exit from bankruptcy. As a condition of its equity investment, ACE has obtained commitments which will result in five-year commercial agreements with the newly merged entity regarding

34. Airport rent cuts don't go far enough, committee says, *Globe and Mail*, May 21, 2005, P. B4.

35. Boeing launches cargo version of 777 as Air France order follows Air Canada, May 24, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)

36. Harmony Airways set to offer new Canada-China air link, *Globe and Mail*, May 25, 2005, p. B7.

37. Air Canada increases Shanghai service to five times a week; will introduce prime time Transcon Freighter service, May 26, 2005, [www.aircanada.ca](http://www.aircanada.ca)

38. Court rejects WestJet lawsuit, May 26, 2005, [www.globeandmail.ca](http://www.globeandmail.ca)

39. Big Profits seen at Air Canada cargo unit, *National Post*, May 26, 2005, p. FP3.

40. Release of consultation document on the Canada-United States air transport agreement, May 26, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

41. Canadian Transportation Agency to hold a public hearing concerning fares and charges paid for domestic air travel by persons who require additional seating to accommodate their disabilities, May 26, 2005 ([www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)).

#### U.S./EU

1. United States, Paraguay Sign Open-Skies Aviation Agreement, May 2, 2005, [www.dot.gov](http://www.dot.gov)

2. Liberalization: More Important than ever, Remarks of J. Shane, Under Secretary for Policy, US DOT, May 9, 2005, [www.dot.gov](http://www.dot.gov)

3. Mineta launches National Transportation Week with focus on aviation, rails, May 17, 2005, [www.dot.gov](http://www.dot.gov)

maintenance service, ground handling, regional jet flying, network, training and other areas of cooperation. Synergies from the maintenance and ground handling facilities will result in estimated annual cash contribution of \$65 million.

#### **24. Air Canada Aeroplan taxiing for trust status and a major IPO**

ACE's board of directors is reviewing the final terms of an initial public offering that will see a syndicate of investment dealers led by RBC Securities sell a minority stake of less than 20 percent of Aeroplan for proceeds of about more than \$300 million. The terms give Aeroplan an indicated value of \$1.5 billion. A spokeswoman for Air Canada says that ACE intends to sell off a stake in Aeroplan. Selling a stake in Aeroplan is part of a broader strategy by ACE to transform the holding company into an aviation conglomerate.

#### **25. Ace Aviation Holdings issues the following statement on Aeroplan**

ACE confirms that it is contemplating an imminent, partial monetization of Aeroplan following a request by TSX for clarification of its intentions. ACE will provide further details as developments warrant.

#### **26. Air Canada expands maintenance unit**

The maintenance branch of Air Canada, Air Canada Technical Services (i.e., ACTS) has set its vision on becoming a 'Tier One' maintenance and overhaul operator within the next five years. To do this, ACTS will need to establish a presence in both the U.S. and some low cost labour areas of the world. This could mean acquisitions, joint ventures and partnerships. One potential customer could result from ACE's possible equity investment between US Airways Group and America West Holdings. ACTS reported revenue of \$180 million in the first quarter of 2005 with operating expenses of \$157 million. ACTS succeeded in driving costs down by 30% to 40% during the recent Air Canada bankruptcy restructuring process. The company has about 100 customers.

#### **27. Designation of Canadian air carriers to operate services between Canada and China**

Transport Minister announced the designation of Air Canada and Harmony Airways to operate scheduled air services between Canada and the People's Republic of China. This designation will allow Air Canada to expand its air service to China (by adding five additional flights per week between Toronto and Beijing and three flights for the introduction of all-cargo service between Toronto and Shanghai) and Harmony Airways to introduce passenger service to China in 2005 (by operating code-sharing services i.e., selling seats in its name on the flights of another airline).

#### **28. Feds pony up for risky Bombardier jet**

Transport Minister and Environment Minister announced on May 13, 2005 that Canada will invest up to \$350 million to help Bombardier Inc. build its biggest plane. Other governments (U.K. and Quebec) also said it would contribute. In all, governments promised a combined \$1.06 billion in investment or aid.

#### **29. Government funding for Bombardier jet draws opposition**

Government funding of Bombardier has drawn criticism from United States and Brazilian plane makers. The two are opposed to subsidies for the development and production of large aircraft.

#### **30. Introduction of Amendments to the Aeronautics Act**

Transport Minister announced that legislation to amend the Aeronautics Act has been introduced in the Senate. The proposed legislation would provide Transport Canada with the required tools to maintain and enhance the safety of Canada's aviation system. The changes being put forward reflect new strategies being implemented to regulate aviation safety, including an increase in penalties that may be imposed under the act.

#### **31. TIACA [The International Air Cargo Association] urges liberalization of all-cargo flights**

TIACA says the liberalisation of all-cargo flights will help to reopen negotiations between the European Union and the United States on the Transatlantic Open Aviation Area Agreement. This message was sent to the US Secretary of Transportation and Vice President of the European Commission. They indicated that air cargo was a natural first step in the process towards realization of a single open market.

#### **32. Airport Movement Statistics**

Canadian airports (42) with NAV CANADA air traffic control towers reported a decrease in take-offs and landings of 0.9% to 374,904 for April 2005 compared to 378,121 for April 2004. Declines of greater than 20% were reported in 2 airports compared with 5 airports in March 2005.

#### **33. Air Liberalization and the Canadian Airport System, Interim Report, Standing Committee on Transport**

The Report of the Standing Committee on Transport basically dealt with two issues: The Canadian Airports System; and Air Liberalization. On the former it made six recommendations. On the latter it made no recommendations yet, as the matter was being studied in greater depth. The six recommendations were: 1) a reduction in airport rents by 75% (with no payment for airports with less than 2 million passengers) and a reinvestment of rents received in the airports system; 2) the airport rental revenues received be used to increase funding for the Airport Capital Assistance Program with a simplification and cost reduction of the process for applying for this program; 3) the Air Transport Security Passenger fee be eliminated; 4) the government pay for Canada Border Services Agency services at airports that provide regular non-domestic flights; 5) the downloading of regulations (eg. firefighting) be paid by the government if it increases costs of airports significantly; and 6) the free services to government departments and agencies be ended in five years.

#### **34. Airport rent cuts don't go far enough, committee says**

Roger Galloway in an interim report said that the recent changes to airport rents are “unacceptable” and won’t provide the immediate relief the industry needs. “We believe that this falls far short of what is required to bring airport and airline costs down.” A spokesman for the Air Transportation Association of Canada said that the Committee’s report puts the issue of airport rent back on the table. Transport Canada announced cuts last week and a spokeswoman for Transport Minister indicated that they were the best deals that they could negotiate with the Department of Finance. The Committee has also indicated that the government has fallen behind its liberalization policies in the last few years compared with other countries.

**35. Boeing launches cargo version of 777 as Air France order follows Air Canada**

The Boeing Co. is launching a cargo version of its long-range, twin-engine 777 after receiving an order from Air France for five of the airplanes. This was subsequent to Air Canada’s order of two 777 freighters, sixteen passengers of the 777 plane and fourteen 787’s.

**36. Harmony Airways set to offer new Canada-China air link**

Harmony Airways won government approval to offer service to China. It intends to start service this year from Toronto with code-sharing services (i.e., under which an airline sells seats in its name on the flights of another airline). It is negotiating such code-sharing arrangements with Chinese Eastern Airlines and other Asian carriers. Harmony operates four aircraft with scheduled airport service to Honolulu and Maui in the Hawaiian Island, Las Vegas and Palm Springs.

**37. Air Canada increases Shanghai service to five times a week; will introduce prime time Transcon Freighter service**

Air Canada plans to offer five flights per week from Toronto to Shanghai effective June 20, 2005. The carrier intends to operate four of the weekly flights via Calgary. The services will also link the Alberta market to Shanghai, subject to Air Canada receiving regulatory approval. The services will be provided using MD 11 freighter aircraft.

**38. Court rejects WestJet lawsuit**

A judge has thrown out WestJet Airlines Ltd’s \$30 million lawsuit filed in December 2004 against Air Canada and chairman Robert Milton. The judge dismissed WestJet’s argument that it has been the victim of smear tactics.

**39. Big Profits seen at Air Canada cargo unit**

Air Canada’s most valuable payload often is its cargo. Last year its revenue from air cargo was \$600 million. An analyst indicated that the cargo division is poised to become the company’s next biggest profit centre behind the Aeroplan loyalty program. He identified 15 international markets that will expand in Europe, South America and Asia. The Vice President of Air Canada cargo indicated that the ultimate goal is to fly a dedicated fleet of cargo-carrying aircraft. Three to five years from now he expects cargo capacity to be about 30% to 40 % from freighters and 70% to 60% from combi aircraft. Other carriers (WestJet and CargoJet Canada Ltd.) are also increasing the availability of cargo capacity.

**40. Release of consultation document on the Canada-United States air transport agreement**

Transport Minister released a consultation document on the Canada-United States air transport agreement. The document seeks stakeholder views on how the 1995 agreement could be further liberalized, as well as long term direction of the air transport relationship between the two countries.

**41. Canadian Transportation Agency to hold a public hearing concerning fares and charges paid for domestic air travel by persons who require additional seating to accommodate their disabilities**

At the hearings that the Agency will hold, it will investigate four complaints concerning the cost of domestic air travel for persons with disabilities. The Agency will gather information from the applicants, respondents and expert witnesses. This is the first stage. The second stage will be held in early 2006.

**New Publications**

1. Transport Canada Annual Report 2004, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Air Liberalization and the Canadian Airport System, Interim Report, Standing Committee on Transport, May 2005.

## WATER TRANSPORTATION

### **1. Focus on Vancouver, CPR [Canadian Pacific Railway] tells governments**

The President of CPR says that the Port of Vancouver is on the way to becoming a mega-port so long as the Port of Prince Rupert does not lead to diversion of capital. He indicated that dilution is no solution. Three weeks ago the federal government, provincial government and Canadian Railways (CN) unveiled a funding package for Prince Rupert. CPR only connects to Vancouver whereas CN connects to both Vancouver and Prince Rupert. He indicates that Vancouver is on the verge of becoming a major port in league with other major international ports. Governments cannot subsidize Prince Rupert at the expense of Vancouver. He indicated he is not opposed to the already announced investments at Prince Rupert but to future government spending.

### **2. Marine Atlantic Advisory Committee Report released**

Transport Minister and Minister of Natural Resources and Regional Minister for Newfoundland and Labrador announced the release of the advisory committee report examining the future of Marine Atlantic Inc. (MAI). The report includes 41 recommendations with the goal of improving ferry service. Marine Atlantic Inc. is a Crown corporation mandated to operate the constitutionally required ferry service between North Sydney, Nova Scotia and Port aux basques, Newfoundland and Labrador as well as other services. The Committee's key recommendations are in the areas of operations and service, fleet configuration and renewal, as well as long-term funding and pricing strategies, all of which the Committee judges as essential for improving and stabilizing MAI's ferry service.

### **3. CP Ships to adopt single brand**

CP Ships Limited plans to re-brand its container shipping services under the CP Ships name and to retire its seven operating brands this year. Since 1993, CP Ships has acquired nine container shipping companies of which seven brands are active.

### **4. EU Extends Consortia Exemption**

The EU competition regulators have extended antitrust exemption for container shipping lines in consortia for five more years. The block exemption was first introduced in 1995. The exemption applies to Consortia with less than 30 percent on any market and the limit rises to 35 percent if the consortium operates outside the

liner conference. Consortia exceeding these market shares would not necessarily be unlawful, but would have to be examined for compliance with EU competition rules on an individual basis. The new exemption allows a carrier to withdraw from a consortium without financial penalty after 24 months instead of the previous 18 months. Individual confidential contracts may be considered in demonstrating effective competition, one of the basic conditions for granting the antitrust exemption. The EU is continuing its investigation into liner carriers' exemption from competition law.

### **5. CP Ships to raise trans-Atlantic rates**

The chairman of CP Ships said that the carrier plans to continue to increase freight rates on its trans-Atlantic services. Rates are expected to increase a further 10-cent in the second quarter from the first quarter. CP has the largest share on the trans-Atlantic lane (20 percent of the market) which is 50 percent larger than its closest competitor. CP Ships is also expected to increase rates on its China, Australia and Latin America trade lanes.

### **6. Montreal Port Authority celebrates 175<sup>th</sup> birthday**

The Montreal Port Authority is celebrating its 175<sup>th</sup> anniversary this year (2005). This is a reminder of the port's enduring value and the crucial role played in the city's history. The president indicated that the port would be investing \$150 million in its continued expansion and improvement over the next five years.

### **7. New cruises boost B.C. tourism**

New cruises out of Seattle that stops in B.C. ports are bringing thousands of tourists to the province. This is expected to offset the industry slump B.C. has been recently witnessing due to competition from Seattle. The port of Seattle has grown dramatically from 7000 passengers in 1999 to more than 685,000 passengers in 2005. At the same time, Vancouver's share has been declining and in 2004 it had 930,000 cruise ship passengers.

### **8. Transport Minister proposes appointment to the Pacific Pilotage Authority**

Transport Minister proposed the appointment of Mr. David Gardiner of Chilliwack as chair of the board of directors of the Pacific Pilotage Authority.

### ***Current Developments in Brief***

#### **Water Transportation** CANADA

1. Focus on Vancouver, CPR tells governments, *Globe and Mail*, May 6, 2005, p. B3.
2. Marine Atlantic Advisory Committee Report released, May 6, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
3. CP Ships to adopt single brand, May 6, 2005, [www.ctl.ca](http://www.ctl.ca)
4. EU Extends Consortia Exemption, *JOC Weekly*, May 2, 2005, p. 10.
5. CP Ships to raise trans-Atlantic rates, May 13, 2005, [www.joc.com](http://www.joc.com)
6. Montreal Port Authority celebrates 175<sup>th</sup> birthday, May 18, 2005, [www.ctl.ca](http://www.ctl.ca)
7. New cruises boost B.C. tourism, May 24, 2005, [www.nationalpost.ca](http://www.nationalpost.ca)
8. Transport Minister proposes appointment to the Pacific Pilotage Authority, May 25, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).

#### **U.S./EU**

1. Port Authority of NY, NJ to start deepening project, May 5, 2005, [www.ctl.ca](http://www.ctl.ca)
2. LA boxes to grow 9.9%: Report, May 5, 2005, [www.joc.com](http://www.joc.com)
3. Port of New York New Jersey opens deepened channels to vessels, May 11, 2005, [www.ctl.ca](http://www.ctl.ca)

## **RAIL TRANSPORTATION**

### **1. CN, Maher Terminals of Canada Corporation and the Prince Rupert Port Authority announce to launch new container terminal in 2007**

\$60 million of funding for the new Port of Prince Rupert terminal has been secured from Canadian and British Columbia governments. As a result, plans to make the new terminal a reality were announced by CN, Maher Terminals of Canada Corporation and the Prince Rupert Port Authority. Phase I of the terminal development is expected to provide initial throughput capacity of 500,000 TEUs (twenty foot equivalent containers) per year.

### **2. Canadian Pacific Railway [CPR] exploring opportunities for southern Indiana rail line**

CPR is reviewing opportunities with third parties to improve service on its track from Fayette to Bedford, Indiana (known as Latta Subdivision). This track has connections and interchanges with four shortline railroads and two Class I railroads (NS and CSX).

### **3. Canadian Pacific Railway Limited declares dividend**

The Board of Directors of Canadian Pacific Railway Limited declared an increase in its next quarterly dividend to fifteen cents per share on May 5, 2005. This is the second increase since July 2004.

### **4. CN WorldWide to offer international freight forwarding services**

CN announced the formation of CN WorldWide, a wholly owned subsidiary that will offer international freight forwarding services between Europe and North America. CN WorldWide based in Rotterdam, Netherlands is the largest container port outside of Asia and will commence operations in May 2005. It will manage door-to-door movement of international shipments.

### **5. CN announces Safe Community Fund winners**

The CN Safe Community Fund has awarded grants totalling \$25,000 to ten safe communities across Canada to implement rail safety initiatives.

### **6. Vancouver rail line defended**

The head of the construction of Vancouver's rapid airport transit line (RAV) indicated that the project would not hurt local businesses along the route. Opposition from a small group has become intense and some officials warned the project could be cancelled. The RAV line was being built to avoid congestion problems. Most city residents, however, favour the construction of the line.

### **7. CN reaches tentative agreement with Teamsters Canada Rail Conference on its Northern Quebec Territory**

CN announced on May 13, 2005 that it has reached a tentative collective agreement with the Teamsters Canada Rail Conference (TCRC) representing locomotive engineers employed on the company's Northern Quebec Territory. Details of the agreement are being withheld pending ratification.

### **8. CN served notice by TCRC, but company optimistic settlement possible without labour disruption**

CN announced that on May 13, 2005 that the TCRC has informed the company that its 1,750 members at CN plan to strike the railroad in Canada at 0001 hours on 18/05/05. CN remains optimistic that an agreement can be reached.

### **9. CN reaches agreement in principle with Teamsters Canada Rail Conference on new labour contract, averting national strike**

The TCRC has cancelled its plan to strike CN as it has reached an agreement in principle on a new labour contract for the company's locomotive engineers in Canada. The five year agreement is retroactive to January 1, 2004. A work stoppage would have stranded 150,000 GO Transit commuters in the Toronto area and another 36,000 users of Montreal's Agence metropolitaine de transport.

### **10. Railway carloadings**

The Canadian railways carried more freight in March 2005 than in any March for the previous five years. They loaded more than 24.7 million metric tonnes of freight, a gain of 3.1 million tonnes or 14.1% from February. During the first three months, the railways carried 67.6 million tonnes. Coal, iron ore, potash, wheat and lumber continued to be the most significant commodities accounting for 50% of all loadings.

### **11. 24-hour terminal access to smooth traffic flow at Lachine**

From June 6<sup>th</sup>, CPR will open its Lachine terminal from midnight Sunday until midnight Friday. The 24-hour operation will provide truckers with better access to this terminal and will enable trucking companies to better serve their clients.

### **12. CN's signals and communications employees in Canada ratify four-year collective agreement**

## ***Current Developments in Brief***

### **Rail Transportation**

#### **CANADA**

1. CN, Maher Terminals of Canada Corporation and the Prince Rupert Port Authority announce to launch new container terminal in first-quarter 2007, April 29, 2005, [www.cn.ca](http://www.cn.ca)
2. Canadian Pacific Railway exploring opportunities for southern Indiana rail line, May 2, 2005, [www.cpr.ca](http://www.cpr.ca)
3. Canadian Pacific Railway Limited declares dividend, May 5, 2005, [www.cpr.ca](http://www.cpr.ca)
4. CN WorldWide to offer international freight forwarding services, May 9, 2005, [www.cn.ca](http://www.cn.ca)
5. CN announces Safe Community Fund winners, May 11, 2005, [www.cn.ca](http://www.cn.ca)
6. Vancouver rail line defended, *National Post*, Friday May 13, 2005, p. FP3.
7. CN reaches tentative agreement with Teamsters Canada Rail Conference (TCRC) on its Northern Quebec Territory, May 13, 2005, [www.cn.ca](http://www.cn.ca)
8. CN served notice by TCRC, but company optimistic settlement possible without labour disruption, May 13, 2005, [www.cn.ca](http://www.cn.ca)
9. CN reaches agreement in principle with Teamsters Canada Rail Conference on new labour contract, averting national strike, May 17, 2005, [www.cn.ca](http://www.cn.ca) / CN deal averts commuter chaos, May 18, 2005, [www.globeandmail.com](http://www.globeandmail.com)
10. Railway carloadings, *The Daily*, May 20, 2005, [www.statcan.ca](http://www.statcan.ca)
11. 24-hour terminal access to smooth traffic flow at Lachine, May 24, 2005, [www.cpr.ca](http://www.cpr.ca)
12. CN's signals and communications employees in Canada ratify four-year collective agreement, May 26, 2005 [www.cnr.ca](http://www.cnr.ca)

CN announced on May 26, 2005 that the 644 members of the International Brotherhood of Electrical Workers have ratified a four-year collective agreement retroactive January 1, 2004.

## **HIGHWAY TRANSPORTATION**

### **1. Government of Canada confirms new investments of \$269 million in Quebec's transportation infrastructure**

Transport Minister and Quebec's Minister responsible for Capitale-Nationale region announced an agreement for joint funding for transportation infrastructure work in Quebec. Priorities for action are on: Highway 185; Highway 173; Highway 55; Highway 35; Highway 50 and intermodal rail infrastructure.

### **2. Canada and Ontario to improve safety on Highway 401**

Officials of Transport Canada and Ontario Ministry of Transport announced the start of construction to widen Highway 401 leading to Canada's busiest border crossing. The construction is important to safety, efficient transportation and competition.

### **3. Trend to higher truck rates not reversible: says Bradley**

The CEO of the Canadian Trucking Alliance and the President of the Ontario Trucking Association said that even a softening in economic activity will not significantly alter the capacity crunch in trucking services currently creating upward pressure on truck rates and surcharges. Shortages of truck drivers will compensate for any decline in volumes. There does not appear to be reasons why the industry should give up any gains it made last year or why it should not continue to improve its financial performance.

### **4. Governments of Canada and New Brunswick to fund intelligent transportation systems**

The governments of Canada and New Brunswick announced the signing of a contribution agreement for the deployment of Intelligent Transportation Systems (ITS). ITS consist of a broad range of technologies designed to make transportation safer, more efficient and more environmentally friendly. "The implementation of ITS in New Brunswick will help improve the efficiency of our highway system" according to the Minister of Transportation for New Brunswick. The federal government will provide \$416,000 and the government of New Brunswick will contribute \$978,703 to the project.

### **5. Legislation introduced to authorize the completion of Highway 30**

Transport Minister announced on May 12, 2005 that legislation to assist in the completion of Highway 30 in Quebec has been introduced in the Senate. The completion of it involves the construction of a new 42-km four-lane western segment which involves the construction of two major bridges, one across the St. Lawrence River and one over the Beauharnois Canal. Completing Highway 30 is very important to the residents of the Greater Montreal Area.

### **6. Large urban transit**

Ridership on 10 large urban transit systems in Canada was 1.4% lower in March 2005 than it was for March 2004. About 120 million passenger trips were taken representing nearly 80% of total urban transit in Canada. This generated \$181.4 million in revenue for March 2005, a 3.1% increase over march 2004.

### **7. Improvements to 4<sup>th</sup> street in Estevan**

Government officials announced that the City of Estevan has reached an agreement with the Government of Canada and the Province of Saskatchewan to cost-share improvements to 4<sup>th</sup> street. Under the agreement 2.8 kilometres of 4<sup>th</sup> Street will be resurfaced at a cost of \$3 million.

## **ENVIRONMENT**

### **1. Transport Canada to assess environmental condition of Oshawa Marina**

Officials of Transport Canada and the City of Oshawa announced that they have agreed to assess the environmental condition of the Oshawa marina. Up to \$1.5million of funding has been provided for this environmental work.

### ***Current Developments in Brief*** **Highway Transportation**

#### **CANADA**

1. Government of Canada confirms new investments of \$269 million in Quebec's transportation infrastructure, April 29, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Canada and Ontario to improve safety on Highway 401, April 29, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
3. Trend to higher truck rates not reversible: says Bradley, May 13, 2005, [www.ctl.ca](http://www.ctl.ca)
4. Governments of Canada and New Brunswick to fund intelligent transportation systems, May 13, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
5. Legislation introduced to authorize the completion of Highway 30, May 12, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Large urban transit, *The Daily*, May 18, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
7. Improvements to 4<sup>th</sup> street in Estevan, Saskatchewan, May 24, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Transport Minister proposes appointment to the Pacific Pilotage Authority, May 25, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)

#### **US/EU**

1. Statement from secretary of transportation Norman Y. Mineta regarding the senate proposal to add billions to cost of highway bill, May 5, 2005, [www.dot.gov](http://www.dot.gov)
4. Transportation policy trends in the United States: meeting the challenge of globalization, May 24, 2005, [www.dot.gov](http://www.dot.gov)
5. LA, Long Beach to implement anti-congestion measures in July, May 25, 2005, [www.ctl.ca](http://www.ctl.ca)

### ***Current Developments in Brief*** **Environment**

#### **CANADA**

1. Transport Canada to assess environmental condition of Oshawa Marina, April 29, 2005, [www.tc.gc.ca](http://www.tc.gc.ca)