

# Transportation Information Update\*

Editor: Joseph Monteiro\*\*

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Associate Editor: Gerald Robertson\*\*

## AIR TRANSPORTATION

### 1. Giovanni Bisignani, Director General and CEO International Air Transport Association (IATA) Foreign Correspondents' Club of Japan, Tokyo, 31 August 2006

In his speech to the Club of Japan, the Director General of IATA first noted their achievements. He listed the following: 1. Safety: the accident rate in 2005 was the lowest ever; 2. Business simplification: the saving to the industry was US\$6.5 billion annually (through bar coded boarding passes; radio frequency identification for aviation; common-use kiosks for check-in; IATA e-freight; and 100% e-ticketing by the end of 2007); and 3. Effect: the impact was felt on the balance sheet. It resulted in labour productivity improvement of 33% since 2001, dropping of sales and distribution costs by 10% and falling of overall non-fuel unit costs by 13%. He then spoke about the future challenges (especially applicable to Japan): 1. Security; 2. Airport infrastructure; 3. Environment; and 4. Liberalisation.

### 2. Air Canada launches 'Tango Plus' multi-trip passes in time for back-to-work bargain hunting; flights as low as \$189 with new discount option

Air Canada launched a low 'Tango Plus' pricing option offering significant savings off its regular multi-trip Flight Pass prices on August 31, 2006. It is specially designed for cost-conscious travellers seeking year-round value. Air Canada's new low 'Tango Plus' price for its range of North America and Rapidair multi-trip passes is valid for 10 or 20 prepaid one-way trips starting as low as \$189, anywhere Air Canada, Jazz and their regional partners fly within Canada and the continental United States. The new 'Tango Plus' price is now available for purchase in Canada exclusively online and through travel agents.

### 3. CanJet ending scheduled flights as of Sept. 10 to focus on charter business

Discount carrier CanJet Airlines is ending its scheduled flights as of Sept. 10 to focus on its charter business. It will offer alternative travel arrangements for anyone booked on its flights after Sept. 10 or give full refunds to ticket holders.

### 4. CanJet halts scheduled flights

CanJet will halt scheduled flights. In a letter to travellers posted on CanJet's website, it stated: "Unfortunately, our airline, over the years, has been faced with many uncontrollable challenges within the industry including high fuel costs, continual increases to airport fees as well as increases in competitive capacity on our primary routes. Subsequently, these challenges have forced CanJet to suspend all scheduled service while we endeavour to focus on our charter opportunities." CanJet, owned by IMP Group International Inc., operated 10 planes and served 14 Canadian and U.S. destinations on its scheduled routes and another dozen venues in sun spots through charter deals with tour operators Sunquest Vacations and Transat A.T. Inc.

### 5. CanJet blames rivals for its demise

In an internal letter to Ottawa (federal labour Minister Jean-Pierre Blackburn), CanJet's parent says that Air Canada and WestJet Airlines destroyed CanJet Airlines when the two larger carriers flooded the key Atlantic market with seat capacity. This in conjunction with high fuel prices and aggressive moves by Air Canada added to its problems. Its performance deteriorated in June and July 2006 after the two major carriers raised their capacity by 10 percent in CanJet's core Atlantic market. It is

\* **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

### Air Transportation

#### CANADA

1. Giovanni Bisignani, Director General and CEO International Air Transport Association (IATA) Foreign Correspondents' Club of Japan, Tokyo, 31, August 2006, [www.iata.org](http://www.iata.org)
2. Air Canada launches 'Tango Plus' multi-trip passes in time for back-to-work bargain hunting; flights as low as \$189 with new discount option, August 31, 2006, [www.aircanada.ca](http://www.aircanada.ca)
3. CanJet ending scheduled flights as of Sept. 10 to focus on charter business, September 5, 2006, [www.nationalpost.ca](http://www.nationalpost.ca)
4. CanJet halts scheduled flights, September 5, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
5. CanJet blames rivals for its demise, *Globe and Mail*, September 7, 2006, p. B8.
6. Low Visibility Landings to Become Safer, September 6, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
7. Canada and United States Reach Bilateral Aviation Licencing Agreement, September 7, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Air Canada announces additional capacity, low fares for Eastern Canada, September 6, 2006, [www.aircanada.ca](http://www.aircanada.ca)
9. Air Canada continues transborder expansion from western Canada; inaugurates non-stop flights from Edmonton to Las Vegas, September 7, 2006, [www.aircanada.ca](http://www.aircanada.ca)
10. Air Canada reports August traffic, September 7, 2006, [www.aircanada.ca](http://www.aircanada.ca)
11. WestJet Reports August Traffic Results, September 7, 2006, [www.westjet.com](http://www.westjet.com)
12. WestJet Extends Low Fares to Eastern Canada, September 8, 2006, [www.westjet.com](http://www.westjet.com)
13. Beddoe eases up on controls at WestJet, *National Post*, September 8, 2006, p. FP1.
14. Transat posts higher profit, looks at buying hotels, September 8, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
15. Additional On-board Safety Equipment Proposed for Aircraft, September 8, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
16. Fare war brews over Atlantic, *Financial Post*, September 13, 2006, p. FP6.
17. Air Canada inaugurates non-stop service from Winnipeg to Las Vegas, September 10, 2006, [www.aircanada.ca](http://www.aircanada.ca)
18. Air Canada partners with ITA Software to develop state-of-the-art airline reservation management system, September 13, 2006, [www.aircanada.ca](http://www.aircanada.ca)
19. Air Canada to axe 300 workers, September 14, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
22. Liberalize air-service pacts, Ottawa told, September 14, 2006, [www.nationalpost.ca](http://www.nationalpost.ca)
20. Lufthansa to pay \$85 million in cargo scandal, September 14, 2006, [www.americanshipper.ca](http://www.americanshipper.ca)
21. WestJet Launches Get Set, September 13, [www.westjet.com](http://www.westjet.com)

estimated that CanJet had about 4 percent of the domestic market and 20 percent of the Atlantic market. They asked Ottawa to waive provisions of the Labour Code to allow CanJet to expedite the shut down of scheduled flights.

#### **6. Low Visibility Landings to Become Safer**

Aviation regulations have been amended to prohibit commercial air operators from beginning an approach when visibility is so poor that a successful approach to a landing is unlikely.

#### **7. Canada and United States Reach Bilateral Aviation Licencing Agreement**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on September 7, 2006 that the Government of Canada and the United States of America have signed an Implementation Procedures for Licencing (IPL) agreement on the conversion of pilot licences and certificates. The IPL agreement permits pilots holding certain licences or certificates from either country to obtain a licence or certificate from the other country if certain requirements are met. The agreement will come into effect on December 1, 2006.

#### **8. Air Canada announces additional capacity, low fares for Eastern Canada**

Air Canada announced on September 6, 2006 that it will add capacity in Eastern Canada to provide consumers with more travel options at low fares following the termination of scheduled flying by CanJet Airlines.

#### **9. Air Canada continues transborder expansion from western Canada; inaugurates non-stop flights from Edmonton to Las Vegas**

On September 7, 2006, Air Canada announced the continuation of its transborder U.S. expansion from western Canada with the inaugural of twice weekly, non-stop flights from Edmonton to Las Vegas. It will offer up to 55 weekly flights this winter to Las Vegas from six cities across Canada: Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal.

#### **10. Air Canada reports August traffic**

Air Canada on September 7, 2006 reported a system load factor of 84.5 per cent for August 2006. The mainline carrier flew 0.2 per cent less revenue passenger miles (RPMs) in August 2006 than in August 2005. Overall, capacity increased by 0.7 per cent, resulting in a load factor of 84.5 per cent, the same as in July 2005. Jazz's capacity increased by 47.6 per cent, resulting in a load factor of 75.2 per cent, compared to 72.0 per cent in August 2005; an increase of 3.2 percentage points. On a combined basis (Air Canada and Jazz) system traffic rose 2.5 per cent on a capacity increase of 3.5 per cent, resulting in a load factor of 83.7 per cent. North American traffic, on a combined basis, rose 8.6 per cent. The airline indicated that the mainline and consolidated passenger load factors of 84.5 and 83.7 were the second highest for any month in the airline's history.

#### **11. WestJet Reports August Traffic Results**

WestJet on September 7, 2006 announced its traffic statistics for August 2006 featuring an increase in load factor to 84.5%, compared with 83.5% in August 2005. WestJet's revenue passenger miles (RPMs) increased 19% to 951.7 million for August this year, up from 797.5 million in August 2005. Available seat miles (ASMs) grew 18% to 1,126.9 million in August 2006, up from 955.1 million in August 2005. The company reported that load factors were strong as WestJet's demand increases.

#### **12. WestJet Extends Low Fares to Eastern Canada**

WestJet announced on September 8, 2006 that it will extend its current 50 per cent off seat sale in Eastern Canada until midnight EDT Friday, September 8, 2006. WestJet does not have a formal agreement with CanJet to price match fares paid by the airline's customers.

#### **13. Beddoe eases up on controls at WestJet**

23. Unbridling Canada: Why A New International Air Policy is Imperative for a Competitive Canada, September 13, 2006, [www.cacairports.ca](http://www.cacairports.ca)
24. Scheduled air passenger origin and destination: Canada-United States, September 15, 2006, [www.statcan.ca](http://www.statcan.ca)
25. Air Canada readies for IPO, *The Globe and Mail*, September 15, 2006.
26. CHC chief says brighter days ahead, September 15, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
27. Remarks of Giovanni Bisignani, ICAO Symposium on Liberalisation, Dubai, September 18, 2006, [www.iata.org](http://www.iata.org)
28. 'Far too many airlines,' IATA head says, September 18, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
29. Urgent Call For Progressive Liberalisation - Time to Align Policy with Industry Realities, September 18, 2006, [www.iata.org](http://www.iata.org)
30. Designation of Harmony Airways to Operate Services Between Canada and Australia and Fiji, September 18, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
31. Changes affecting liquids, gels and aerosols onboard aircraft, September 18, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
32. DOT to Maintain Airline Price Advertising Rule, September 19, 2006, [www.dot.gov](http://www.dot.gov)
33. An unruly air passenger? Be prepared to pay the price, September 19, 2006, [www.globeandmail.ca](http://www.globeandmail.ca)
34. Air Canada offers agents 5% bonus on UK flights, *National Post*, September 20, 2006, p. FP 4.
35. Drop in oil prices leaves Air Canada optimistic, *National Post*, September 22, 2006, p. FP2.
36. Air Canada Designated to Operate Services Between Canada and Algeria, September 22, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
37. Aircraft movement statistics, *The Daily*, September 20, 2006, [www.statcan.ca](http://www.statcan.ca)
38. Air fares creep higher as CanJet grounded, *Globe and Mail*, September 21, 2006, P. B5.
39. Aviation Contract Awarded to Mid-canada Mod Center, September 22, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
40. Changes to Security Measures for Airports and Air Travel, September 25, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
41. Sunwing Designated to Operate Services to the Dominican Republic, September 26, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)
42. Canadian Transportation Agency Issues Licences to Porter Airlines, September 26, 2006, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
43. Porter Air Cleared to fly from downtown Toronto, *Globe and Mail*, September 27, 2006, p. B4.

The appointment of Sean Durfy to President of WestJet, a previous position held by Clive Beddoe its CEO, signals the gradual evolution of WestJet from a start-up airline to a full blown national airline. A business professor at Queen's University said WestJet's board of directors is no doubt pushing for a transition of power now that the airline, which has about a third of the domestic market, has become an established player.

#### **14. Transat posts higher profit, looks at buying hotels**

Transat A.T. Inc. reported that its third-quarter profit jumped to \$4.2-million from \$794,000 a year-earlier, due to increased revenue and passenger growth. It is looking to partner/acquire hotel chains to offer consumers a total travel experience, in the Caribbean and Mexico but would also consider Greece, Tunisia and Morocco. It would also like to buy up more tour operators, particularly in the United States. Transat is Canada's leading vacation provider and recently bought the Canadian division of world famous Thomas Cook Travel Ltd. Revenue was \$611.1-million for the quarter and \$2-billion for the first nine months of the financial year, up 10.5 per cent and 6.1 per cent, respectively, from the previous year.

#### **15. Additional On-board Safety Equipment Proposed for Aircraft**

Transport Canada is proposing to amend regulations to help reduce the risk of mid-air collisions by requiring aircraft in Canada to install collision avoidance equipment. The equipment, known as an airborne collision avoidance system, alerts flight crews when their aircraft is on course to collide with another aircraft. It includes aerial and visual alerts, as well as cockpit displays of other air traffic. There are two major classes of collision avoidance equipment.

#### **16. Fare war brews over Atlantic**

Fares between Canada and the U.K. in 2007 are expected to remain low (\$199

one way) due to intense competition between international charter and low-cost operators such as Ottawa's Zoom Airlines and Montreal's Transat A.T. Inc. and the entry of Flyglobespan, a division of Globespan Group PLC. The new entrant will operate daily flights from Hamilton, Ont., to London, Manchester and Glasgow, as well as other destinations in the U.K., beginning next spring. This will somewhat offset Transat's purchase of Canadian Air for \$43-million which doubled its share of this market to 80%. Flyglobespan has also entered into an agreement with Ottawa's Zoom Airlines that allows the two carriers to sell seats on each others planes which will offer customers more flight options.

#### **17. Air Canada inaugurates non-stop service from Winnipeg to Las Vegas**

On September 10, 2006 Air Canada began twice weekly, non-stop flights from Winnipeg to Las Vegas. It will offer flights on Sundays and Thursdays.

#### **18. Air Canada partners with ITA Software to develop state-of-the-art airline reservation management system**

Air Canada and ITA Software announced on September 13, 2006 that they have signed an agreement to develop a new reservation management system for the airline. Its next generation reservation system will include reservations, inventory control and seat availability, and check-in and airport operations modules.

#### **19. Air Canada to axe 300 workers**

Air Canada has served notice that it will lay off more than 300 jobs at airports and call centres across the country. This has angered unions who accused Air Canada of putting shareholders before employees. Air Canada's response was that the lay off was temporary due to seasonal slow down in traffic and increased use of internet.

#### **20. Lufthansa to pay \$85 million in cargo scandal**

German airline Lufthansa said it has agreed to pay \$85 million to settle class-action lawsuits filed in the United States over alleged price-fixing by its cargo division. About 80 parties joined together this year seeking compensation from Lufthansa and several other airlines. The settlement must be approved by the judge hearing the case. The suits stem from an investigation by U.S. and European authorities into charges that several cargo airlines colluded to fix prices on freight shipments. Antitrust suits were filed in the United States, Europe and Asia against major airlines, including American Airlines, United Airlines, British Airways, Japan Airlines, Air France-KLM, Lufthansa, Cathay Pacific, Scandinavian Airlines System, and Cargolux. Competition authorities in other countries are also investigating the matter. Conditional immunity from criminal charges against Lufthansa has been granted if it testifies against other carriers.

44. CanJet makes third attempt to take off, *National Post*, September 28, 2006, p. FP4.

45. Canadian Transportation Agency Reminds Air Travellers to Comply With Carriers' Check-In Times, September 28, 2006, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)

46. WestJet Continues to Enhance its Schedule, September 29, 2006, [www.westjet.ca](http://www.westjet.ca)

47. August Passenger Growth Slows while Freight Rebounds - No Clear Impact from London Terror Alert, September 29, 2006, [www.iata.org](http://www.iata.org)

#### **US**

1. Airlines' On-Time Performance Improves in July, September 7, 2006, [www.dot.gov](http://www.dot.gov)

2. U.K. To ease airline security, September 14, 2006, [www.nationalpost.ca](http://www.nationalpost.ca)

3. BTS Releases June 2006 Airline Traffic Data; Six-Month System Traffic Up 0.9 Percent From 2005, September 14, 2006, [www.dot.gov](http://www.dot.gov)

4. BTS Releases Second Quarter 2006 Airline Financial Data; Passenger Airlines Report Largest Domestic Profit Margin Since 2000, September 18, 2006, [www.dot.gov](http://www.dot.gov)

5. BTS Releases July Passenger Airline Employment Data; July 2006 Employment Down 5.9 Percent from July 2005, September 19, 2006, [www.dot.gov](http://www.dot.gov)

## **21. WestJet Launches Get Set**

WestJet announced on September 13, 2006 the launch of Get Set, an innovative desktop application tool that brings instantaneous WestJet offers and hot deals from WestJet partners directly to computers. It gives guests access to great flight offers based on their travel preferences. Get Set allows guests to customize the information they want to receive and then generates a notification that alerts them to affordable, reliable and easy-to-book flights and travel packages from WestJet and WestJet Vacations as well as exclusive offers from preferred WestJet partners.

## **22. Liberalize air-service pacts, Ottawa told**

An airport industry group warns that Canadian travellers are missing out on lower air fares and myriad travel options because Ottawa has fallen behind the United States and the European Union in negotiating "open skies" agreements with other countries.

## **23. Unbridling Canada: Why A New International Air Policy is Imperative for a Competitive Canada**

In its policy paper, the Canadian Airports Council indicates that it is time for a change in Canada's international air policy. It needs an approach that aggressively pursues Open Skies regimes not only with markets in which Canada's airlines have expressed an interest but also others. Though it has recently liberalized agreements with the United States, the United Kingdom and to a lesser extent China, India and Portugal, it has failed to do so with a number of key countries, Japan, South Korea and France. Canada's hesitation in liberalizing means that the country risks being left behind. United States has signed 77 open skies agreements and is currently negotiating a historic pact with the European Union. This not only places Canada at a competitive disadvantage but could fail: to boost competition, to lower air fares, and to draw more international passengers and cargo services to a larger number of Canadian communities. Canada should also unilaterally declare Open Skies for cargo now. The paper also indicates that community and stakeholder interests need to be considered. Airports should be 'at the table' in international talks. Simultaneously, border services that facilitate the opportunities that liberalization will create should be pursued.

## **24. Scheduled air passenger origin and destination: Canada-United States**

In 2003, just over 14.4 million passengers travelled on scheduled services between Canada and the United States compared to 14.8 million passengers in 2002, a fall of 2.7%. This was the third consecutive decline in transborder traffic since 2000 (15.3 million passengers) when it peaked with the introduction of the 1995 Open Skies Agreement. The decrease in 2003 was partly attributed to the events of the Severe Acute Respiratory Syndrome outbreak.

## **25. Air Canada readies for IPO**

Plans are underway for an Air Canada initial public offering (IPO). It will include cargo, vacations and ground-handling operations. ACE Aviation Holdings Inc. will hold a majority stake in Air Canada after the IPO while new shareholders would hold a minority stake. ACE's stake in Aeroplan Income Fund and Jazz Air Income Fund is 75.3% and 79.7%, respectively. ACE is also looking for a buyer in Air Canada Technical Services.

## **26. CHC [Canadian Helicopters Corporation] chief says brighter days ahead**

Vancouver-based CHC reported on September 13, 2006 that it made \$8.8-million or 19 cents per diluted share for the three months ended July 31, down sharply from profit of \$19.2-million or 42 cents per diluted share a year ago. Quarterly revenue improved to \$266.1-million, from \$247-million a year ago. Analysts expected a profit of 44 cents a share and a revenue of \$258-million. CHC Helicopter chief executive said that the cost of adding new aircraft to its fleet and unscheduled maintenance have dragged on earnings, but he is forecasting brighter days ahead as the new helicopters start to earn revenue. Very few of the 19 new aircraft added in the quarter earned revenue while about \$3.5-million of introduction costs and about \$2-million of lease and interest costs were incurred.

## **27. Remarks of Giovanni Bisignani, ICAO Symposium on Liberalisation, Dubai**

Mr. Bisignani provided an update on the state of the industry and his vision for the role of governments in aviation. First, regarding the state of the industry, in the last three years the industry made tremendous progress. Losses were cut from US\$11 billion in 2003 to US\$3.2 billion in 2005 and to US\$1.7 billion this year, despite US\$24 billion in additional fuel costs. The losses in the US industry are offset by profits in Europe, the Middle East and Asia. The year 2007 may witness the first profit in 6 years. Since 2001 labour productivity improved 33%, sales and distribution costs dropped 10%, and overall non-fuel operating costs dropped by 13%. For the first seven months of 2006, the load factor was 76% (the best measure of efficiency). Second, regarding the role of governments, they have a critical position in our industry with respect to safety, security, regulating monopolies (where markets do not work) and liberalising markets (where they can work). All these require strong government leadership but governments (except for a few bright spots) are failing to provide the bold moves and leadership that is required. Commercial freedom is critical for airlines.

## **28. 'Far too many airlines,' IATA head says**

In an interview with the *Globe and Mail*, the CEO of IATA believes that 'open skies' consolidation are key to reversing the industry's fortunes. There are over 1,000 airlines and despite steps in the right direction toward truly "open skies," most governments remain overly protectionist. In addition, there is a high degree of misplaced antitrust sentiment against much-needed mergers and partnerships. Restrictive foreign-ownership rules and lack of progress in reaching an open

skies agreement are seriously hindering the ability of the struggling airline industry.

### **29. Urgent Call For Progressive Liberalisation - Time to Align Policy with Industry Realities**

According to IATA Director General "Failure to liberalise the air transport sector is delaying the recovery of a sick industry. Since 2001, airlines have lost in excess of US\$40 billion. The case for change and greater commercial freedoms is immediate and urgent. But the government response is disappointingly slow." He pointed to the US-EU negotiations on open skies and regulatory convergence which could lead to an agreement that would add US\$5 billion to the bottom line of the industry. He indicated that is an opportunity we cannot afford to miss and to kick-start the liberalisation process.

### **30. Designation of Harmony Airways to Operate Services Between Canada and Australia and Fiji**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities on September 18, 2006 announced the designation of Harmony Airways, a Vancouver based company, to operate scheduled air services between Canada and Australia, and Canada and Fiji.

### **31. Changes affecting liquids, gels and aerosols onboard aircraft**

From September 22, 2006, the sale of liquids, gels and aerosols at all retailers, both duty free and non-duty free, located within the *sterile areas of Canadian airports*, will be restored for most air passengers. They will also be permitted to carry liquids, gels and aerosols purchased beyond the security screening point onboard the aircraft. The above does not apply to passengers flying to the United States.

### **32. DOT to Maintain Airline Price Advertising Rule**

The U.S. Department of Transportation (DOT) announced on September 19, 2006 that it will not change its current rule and enforcement policy on airline price advertising. "The current rule requires that the advertised price for air transportation list the entire amount a customer will have to pay for the ticket. DOT has a long-standing enforcement policy that allows carriers to list only government-imposed taxes, fees and other charges separately from the listed fare, and only as long as these charges are collected on a per-passenger basis, are not based on a percentage of the ticket price, and are clearly disclosed in the advertisement." The DOT indicated that the current rules protects consumers and promotes competition.

### **33. An unruly air passenger? Be prepared to pay the price**

Passengers who are unruly on a plane may be escorted off the plane. In addition, they could be sent a bill for causing a delay to the flight. This is what happened to a passenger flying to Canada. The matter was brought before the Canadian Transport Agency and the Agency ruled in favour of the airline. The airline ticket contains provisions on its tariff governing "the terms and conditions of carriage." Those terms include sections outlining "prohibited conduct" and "sanctions" the airline may impose. Those sanctions include removing a passenger with the right to "seek recovery of any damage resulting from the prohibited conduct."

### **34. Air Canada offers agents 5% bonus on UK flights**

Air Canada is offering a 5% bonus on flights booked between Canada and the United Kingdom between September 18, 2006 and December 10, 2006. This move was unexpected as Air Canada eliminated commissions to travel agents several years ago. Observers believe that the bonus by Air Canada is because of intense competition that is anticipated in this key international market. Air Canada spokesman called the promotion a 'tactical commercial strategy'.

### **35. Drop in oil prices leaves Air Canada optimistic**

At the RBC Capital Markets conference, Air Canada's CEO, Robert Milton said that he is optimistic about the future of Air Canada. First, a drop in the price of crude oil from US \$78 to US \$ 60 a barrel in the last few months increases profitability - a US \$1 decrease in the price of oil leads to a drop of operating costs by US \$28 million. Second, with the arrival of new long-range Boeing aircraft, non-stop routes to far off destinations will be possible. Third, ACE Inc, Air Canada's parent has spun off a number of income trusts. Notwithstanding the above, the rising costs of airports are a threat to the viability of the industry and he called on the government to provide more oversight of airport monopolies.

### **36. Air Canada Designated to Operate Services Between Canada and Algeria**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on September 22, 2006 the designation of Air Canada to operate scheduled air services between Canada and Algeria through code-sharing arrangements. The Minister indicated that "This service may increase the trade and tourism possibilities between both countries."

### **37. Aircraft movement statistics**

Aircraft take-offs and landings at the 42 Canadian airports with NAV CANADA air traffic control towers reached 436,204 movements in August 2006, up 5.9% from the same month a year earlier (411,896 movements) and the sixth increase in eight months.

### **38. Air fares creep higher as CanJet grounded**

According to a survey by Desjardins Securities Inc. after CanJet Airlines was grounded air fares for fall travel are rising. WestJet Airlines Ltd. fares are up 6 percent this week compared to a year ago while Air Canada fares are down 1 percent. These fares are in sharp contrast to last week when some tickets sold at an 18-month low. Future changes could occur depending on crude oil prices.

#### **39. Aviation Contract Awarded to Mid-Canada Mod Center**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on September 22, 2006 that a contract \$8 million has been awarded to Mid-Canada Mod Center / Kitchener Aero Avionics of Toronto, Ontario to provide avionics systems upgrades to the Cessna Citations in Transport Canada's fleet.

#### **40. Changes to Security Measures for Airports and Air Travel**

The Honourable Lawrence Cannon and the Honourable Stockwell Day announced on September 25, 2006 changes to the aviation security measures put in place on August 10, 2006. The changes will allow passengers to bring limited quantities of these items (liquids, gels and aerosols onboard aircraft, with some restrictions) with them when they travel, while maintaining a heightened level of security.

#### **41. Sunwing Designated to Operate Services to the Dominican Republic**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on September 26, 2006 the designation of Sunwing Airlines to operate scheduled air services between Canada and the Dominican Republic.

#### **42. Canadian Transportation Agency Issues Licences to Porter Airlines**

On September 26, 2006, the Canadian Transportation Agency issued licences to Porter Airlines to operate domestic and non-scheduled international services using medium aircraft.

#### **43. Porter Air Cleared to fly from downtown Toronto**

Porter Airlines Inc. has ambitious plans to become Canada's third-largest carrier having received regulatory approval. It plans to launch service to Ottawa in October 2006 and to Montreal by mid-December. It has also obtained approval to operate transborder charters to the United States and will seek approval to launch international service after this. By the end of 2007, it expects to add New York, Chicago, Boston, Philadelphia, Washington and Thunder Bay to its list of service. There are seventeen other destinations that it is also considering. It plans to allure business travellers to Toronto City Centre Airport.

#### **44. CanJet makes third attempt to take off**

CanJet is now launching itself as a charter carrier. CanJet's chief executive indicated that efforts to secure contracts from tour operators have been very positive giving it a new lease on life as a charter airline. It will continue to operate six of its ten Boeing 737 jets on behalf of various tour operators. It has re-hired 100 of its staff from the 500 it laid off. It has chosen the charter business since it is less riskier than scheduled.

#### **45. Canadian Transportation Agency Reminds Air Travellers to Comply With Carriers' Check-In Times**

The Canadian Transportation Agency, in its decision [No. 521-C-A-2006] of September 28, 2006, illustrates the importance for air passengers to arrive in sufficient time at the airport and for air carriers to clearly set out check-in times in their tariffs. It reminds travellers that they have an obligation to ensure that they arrive at the airport in sufficient time to check-in, clear security and reach the departure gate. In this case, it ruled against Skyservice for refusing to transport a party of four for not arriving within the check-in time limits as the time was not stated in its tariff.

#### **46. WestJet Continues to Enhance its Schedule**

On September 28, 2006, WestJet announced enhancements to its schedule. The enhancements include the introduction of new non-stop service from Edmonton to Comox beginning December 4, 2006 and from Halifax to Orlando beginning February 14, 2007 together with an increase in its number of weekly departures between Toronto and Halifax.

#### **47. August Passenger Growth Slows while Freight Rebounds - No Clear Impact from London Terror Alert**

The International Air Transport Association (IATA) reported a 4.8% year-on-year growth in international passenger traffic for August 2006. This marks the fourth consecutive month of declining growth in passenger demand. International freight traffic rose 4.7% from the 3.7% reported in July but below the historic long-term average growth of 6.0%. The average load factor for August 2006 remained near record levels at 79.4%. The UK terror alert had no clear impact on traffic growth last month.

## WATER TRANSPORTATION

### **1. Port of Vancouver - Accumulated Container Traffic Statistics**

Year to date container traffic (TEUs) from January to July 2006 for the Port of Vancouver increased by 26%. Imports rose by 28% and exports rose by 25%. The total TEUs for this period was 1, 230, 586.

### **2. Competition: repeal of block exemption for liner shipping conferences - frequently asked questions**

The Competitiveness Council has agreed on 25<sup>th</sup> September 2006 to repeal Regulation 4056/86 putting an end to the possibility for liner carriers to meet in conferences, fix prices and regulate capacities as of October 2008. It has also amended Regulation 1/2003 – the general regulation setting out the procedural rules needed to implement Articles 81 and 82 of the EC Treaty – extending its scope to include cabotage and tramp shipping.

### **3. Competition: Commission welcomes Council agreement to end exemption for liner shipping conferences**

The European Commission has welcomed the unanimous adoption, at the 25th September Competitiveness Council, of the Commission's proposal to repeal the exemption from the EC Treaty's ban on restrictive business practices (Article 81) for liner conferences on routes to and from the EU. The current block exemption, established by Council Regulation 4056/86 allows carriers to fix prices and regulate capacity jointly. The repeal will take effect in October 2008. To ensure that the new

regime fosters competitive markets, the Commission will issue Guidelines on the application of the competition rules to maritime transport before the end of the transitional period. The Council also empowered the Commission to apply EC Treaty competition rules to cabotage and tramp shipping, by extending the scope of the competition implementing rules (Regulation 1/2003). The abolition of the exemption for liner conferences will affect EU and non-EU carriers operating on routes both to and from Europe.

### **4. EU ends liner antitrust exemption**

The European Union's Competition Directorate on September 25, 2006 agreed to repeal the antitrust exemption for liner shipping companies, thus ending their ability to collectively fix prices. Existing liner conferences will be able to continue operating on routes to and from Europe until October, 2008. After that, conference activities, in particular price-fixing and capacity regulation, will no longer be permitted. Before the end of the two-year transition period, the European Commission will publish guidelines on the application of the competition rules to ocean transportation services.

### **5. Vancouver widens box lead**

Western Canada's Port of Vancouver increased its lead in container volume over U.S. regional rivals Tacoma and Seattle over the period January to August 2006. The number of TEUs (1.43m) it handled increased 25.6%. On the other hand, its nearest competitors Tacoma handled (1.33m) a increase of 1.8% and Seattle handled (1.31m) a fall of 4.3%. Both U.S. hubs are expecting big increases in container volume over the next few months as the season reaches its peak.

### **6. Liners, shippers hold talks on European anti-trust changes**

The European Shippers Council and the European Liner Affairs Association held their first exploratory meeting in Antwerp on September 27, 2006. The discussion at the meeting was "wide-ranging and touched on many issues concerning the liner shipping industry, and conducted in a positive atmosphere."

## Water Transportation

### Canada

1. Port of Vancouver - Accumulated Container Traffic Statistics, August 10, 2006, [www.portvancouver.com](http://www.portvancouver.com)

2. Competition: repeal of block exemption for liner shipping conferences - frequently asked questions, September 25, 2006, [www.europa.eu.int](http://www.europa.eu.int)

3. Competition: Commission welcomes Council agreement to end exemption for liner shipping conferences, September 25, 2006, [www.europa.eu.int](http://www.europa.eu.int)

4. EU ends liner antitrust exemption, September 26, 2006, [www.joc.com](http://www.joc.com)

5. Vancouver widens box lead, September 27, 2006, [www.joc.com](http://www.joc.com)

6. Liners, shippers hold talks on European anti-trust changes, September 28, 2006, [www.joc.com](http://www.joc.com)

### US/EU

1. Stolt charged with antitrust crimes, September 11, 2006, [www.amercanshipper.ca](http://www.amercanshipper.ca)

2. Senate [US] passes port security bill, September 15, 2006, [www.joc.com](http://www.joc.com)

## **RAIL TRANSPORTATION**

### **1. Transport Canada Acknowledges TSB Recommendation Following Brockville Rail Crossing Accident**

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities on September 6, 2006 acknowledged the Transportation Safety Board (TSB) recommendation concerning a rail crossing accident that occurred on February 17, 2005, at the Bartholomew Street crossing in Brockville, Ontario. The TSB made a recommendation to Transport Canada to improve pedestrian safety at multi-track main-line railway crossings.

### **2. Outremont Yard freight shed to be demolished**

Canadian Pacific Railway (CPR) announced on September 15, 2006 the demolition of the former freight shed located in Outremont Yard. The demolition will begin on September 18, 2006.

### **3. Railway carloadings**

Canadian railways have recorded their strongest tonnages for the month of July 2006 in six years. Railways hauled 23.9 million metric tonnes of freight in July

2006, a 3.9% from June and a marginal increase from June 2006. Non-intermodal freight carried was about the same as in June 2006 while intermodal freight carried declined. On a year-over-year basis, non-intermodal tonnage was 3.8% higher than in July 2005. Intermodal loadings rose 4.7%, while traffic received from the United States rose 12.2%. Four commodities (wheat, iron ore & concentrates, coal and lumber) accounted for just over 42% of rail tonnage in the non-intermodal portion of goods loaded in July 2006.

### **4. CPR's luxury train wins World Travel Award**

Canadian Pacific Railway's luxury rail service, has been chosen the world's best luxury train service by over 167,000 registered travel agents and travel professionals. The Royal Canadian Pacific (RCP) has won the "World's Leading Luxury Train" award at the 2006 World Travel Awards over five other luxury train services.

### **5. Labour Agreement Ratified between CPR and United Steelworkers**

Canadian Pacific Railway (CPR) announced on September 22, 2006 the ratification of a three year collective agreement ending in 2009 with its clerical and intermodal workers, represented by the United Steelworkers (USW).

## **HIGHWAY TRANSPORTATION**

### **1. Couriers and Messengers Services Price Index [July]**

The Couriers and Messengers Services Price Index increased 0.3% to 120.5 (2003=100) in July, 2006. The courier portion rose 0.1% while the local messengers component jumped 2.1% due to fuel charge increases.

### **2. Canada and Ontario Announce Funding to Widen Manning Road**

The governments of Canada and Ontario, in partnership with the County of Essex, announced on September 5, 2006, funding for the widening of Manning Road (Essex County Road 19) from north of County Road 22 to the VIA Rail line. The widening of Manning Road from two lanes to five lanes will provide improved traffic operations and better highway access to the border for local industry and for both commercial and commuter traffic in Essex County. This project is one of several under the Let's Get Windsor-Essex Moving strategy. Funding for this strategy comes from the Canada-Ontario Border Infrastructure Fund.

### **3. Canada and Ontario Begin Foundations Investigations Study for New Windsor-Detroit International Crossing**

The governments of Canada and Ontario announced on September 6, 2006 the start of a foundations investigations study that will lead to a better understanding of the bedrock stability in areas where a new international bridge spanning the Detroit River could be located.

### **4. For-hire motor carriers of freight, top carriers**

The top 91 for-hire motor carriers of freight (Canadian-based trucking companies earning \$25 million or more annually) generated operating

revenue of \$2.4 billion and expenses of \$2.2 billion in the second quarter. Average per-carrier revenues (\$26.3 million) and expenses (\$24.6 million) both increased by 5.7% from the second quarter of 2005. The operating ratio (i.e.,

## **Rail Transportation**

### **Canada**

1. Transport Canada Acknowledges TSB Recommendation Following Brockville Rail Crossing Accident, September 6, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

2. Outremont Yard freight shed to be demolished, September 15, 2006, [www.cpr.ca](http://www.cpr.ca)

3. Railway carloadings, *The Daily*, September 20, 2006, [www.statcan.ca](http://www.statcan.ca)

4. CPR's luxury train wins World Travel Award, September 22, 2006, [www.cpr.ca](http://www.cpr.ca)

5. Labour Agreement Ratified between CPR and United Steelworkers, September 22, 2006, [www.cpr.ca](http://www.cpr.ca)

### **US**

1. Surface Transportation Board Announces Intent to Hold Fall 2006 Public Hearing on Certain Issues Related to Rail Transportation of Grain, July 28, 2006, [www.dot.gov](http://www.dot.gov)

## **Highway Transportation**

### **Canada**

1. Couriers and Messengers Services Price Index, August 31, 2006, [www.statcan.ca](http://www.statcan.ca)

2. Canada and Ontario Announce Funding to Widen Manning Road, September 5, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

3. Canada and Ontario Begin Foundations Investigations Study for New Windsor-Detroit International Crossing, September 6, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

4. For-hire motor carriers of freight, top carriers, September 7, 2006, [www.statcan.ca](http://www.statcan.ca)

5. UPS opens \$80 million logistics centre in Ontario, [www.ctl.ca](http://www.ctl.ca)

6. Opening of the Last Paved Portion of the National Highway System, September 8, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

7. Travel between Canada and other countries, *The Daily*, September 20, 2006, [www.statcan.ca](http://www.statcan.ca)

8. Celebration of the Opening of the Kenaston Underpass, September 21, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

9. Large urban transit, *The Daily*, September 12, 2006, [www.statcan.ca](http://www.statcan.ca)

10. Couriers and Messengers Services Price Index, September 26, 2006, [www.statcan.ca](http://www.statcan.ca)

11. Official Opening of the New Buffalo and Fort Erie Public Bridge Authority's Administration Building, September 28, 2006, [www.tc.gc.ca](http://www.tc.gc.ca)

### **US/EU**

1. BTS Releases Transportation Services Index (TSI); Index Fell 0.4 Percent in July from June, September 6, 2006, [www.dot.gov](http://www.dot.gov)

2. Bush picks Peters to lead DOT, September 6, 2006, [www.americanshipper.com](http://www.americanshipper.com)



operating expenses divided by operating revenue) in the second quarter of 2006 was 0.94, similar to operating ratio in the second quarter of 2005.

#### **5. UPS opens \$80 million logistics centre in Ontario**

On September 6, 2006, UPS opened an 800,000-square-foot logistics campus in Burlington, Ont, for UPS Supply Chain Solutions. This is the second largest UPS logistics facility in North America.

#### **6. Opening of the Last Paved Portion of the National Highway System**

On September 9, 2006, federal government and provincial government officials opened the last paved portion of the National Highway System in Yellowknife, Northwest Territories.

#### **7. Travel between Canada and other countries**

Same-day car travel from the United States continued its downward spiral in July 2006 as American travel to Canada fell to its lowest level since the late 1970s. The decline was 0.6% from the previous month and a 14% from July 2005. Travel to the United States climbed to 3.3 million trips, up 1.5% from June 2006, and up 5.0% from a year ago. Trips from overseas markets fell to their lowest level since May 2005, down 1.6% to 368,000 in July 2006. Travel from Canada's six most important overseas markets all recorded declines in July 2006 from the previous month, with Australia being the hardest hit (-6.0%).

#### **8. Celebration of the Opening of the Kenaston Underpass**

Federal and Provincial officials will open the Kenaston Underpass on September 22, 2006. The cost of the construction, estimated at \$48.1 million, will be shared by the Government of Canada and the Province of Manitoba, each contributing \$13 million, and the remainder will be provided by the city of Winnipeg.

#### **9. Large urban transit**

Combined ridership on 10 large urban transit systems in Canada was 2.7% higher in July 2006 than it was for the same month in 2005. Approximately 98.6 million passenger trips were taken accounting for about 80% of total urban transit. The trips generated \$162.4 million in revenue (excluding subsidies), a 2.4% increase over July 2005.

#### **10. Couriers and Messengers Services Price Index**

The Couriers and Messengers Services Price Index increased 0.1% to 120.6 (2003=100) in August, 2006. The courier portion increased by 0.1% on a monthly basis, while the local messengers component decreased by 0.4% due to lower fuel charges.

#### **11. Official Opening of the New Buffalo and Fort Erie Public Bridge Authority's Administration Building**

Government officials marked the official opening of the new Buffalo and Fort Erie Public Bridge Authority's Administration Building on September 29, 2006.

### **GENERAL**

#### **1. Competition Bureau Publishes Bulletin on Merger Remedies**

On September 22, 2006, the Competition Bureau published its *Information Bulletin on Merger Remedies in Canada*. The bulletin provides guidance to businesses and legal counsel on the objectives and general principles applied by the Bureau when it seeks, designs, and implements remedies to resolve competition concerns arising from proposed transactions. The document reviews: Objectives of Remedial Action; Designing Remedies; Implementing Remedies; Trustee Provisions; Confidential Schedules; Compliance and Enforcement of Merger Remedies; and International Coordination and Cooperation.

<p><i>Current Developments in Brief</i></p> <p><b>General</b> <b>CANADA</b></p> <p>1. Competition Bureau Publishes Bulletin on Merger Remedies, September 22, 2006, <a href="http://www.bc-cb.gc.ca">www.bc-cb.gc.ca</a></p>
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#### **Conferences**

1. 17th International ECMT/OECD Symposium on Transport Economics and Policy, Berlin, 25-27 October 2006, [www.oecd.org](http://www.oecd.org)

#### **Publications**

1. Unbridling Canada: Why A New International Air Policy is Imperative for a Competitive Canada, [www.cacairports.ca](http://www.cacairports.ca)