

Transportation Information Update*

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1. Agenda for Change / State of the Air Transport Industry, Director General and CEO of IATA

Director General and CEO of the International Air Transport Association (IATA) at the Annual General Meeting and World Air Transport Summit said that ““The crisis in our industry continues.”” In 2004, airlines lost US \$4.8 billion and in 2005 losses of US \$6 billion are expected. North American carriers alone lost US \$9 billion. The extraordinary price of fuel is destroying profitability. He indicated the industry is witnessing a revolution since the events of 9/11. Airlines are re-inventing the industry, an example is e-ticketing expected to be 100% by 2007. He presented governments with a five point agenda for change: governments must stop treating air transport like a cash cow; governments must ensure that monopoly suppliers get serious about cost efficiency; governments must stop distorting competition; governments must stop micro-managing the industry; and governments must give us the freedom to run our business like any other business. The industry is also pleased to report that: air transport has never been safer; air transport is environmentally friendly; air transport has become more accessible; and air transport is vital to the global economy.

AIR TRANSPORTATION

1. IATA takes giant steps to simplify the business US\$6.5 billion in potential savings

IATA launched its industry-wide Simplifying the Business initiative in 2004 that could save the industry US \$6.5 billion. The five cornerstone projects are: 100% electronic ticketing by the end of 2007; common use self service check-in; bar coded boarding passes; radio frequency identification (RFID) for baggage management; and IATA e-freight - removing paper from the cargo process by the end of 2010.

2. Air Canada's Milton Assumes IATA Chairmanship

Robert Milton, Chairman of Air Canada, assumed duties as Chairman of the IATA's Board of Governors for 2005-2006.

3. Airlines Congratulate Transport Committee's Visionary Reform Plan

The Air Transport Association of Canada (ATAC) welcomed the interim report released by the House of Commons Transport Committee dealing with Air Policy Liberalization and the Canadian Airports System. Mr. Mackay of ATAC stated ““These recommendations build upon Minister Lapierre's own airport rent reform announcement of last week by adding significant and immediate value. By calling for immediate and meaningful cost savings and dealing with all the various government cost pressures imposed on the industry, this report charts a course for re-balancing the relationship with the federal government as a true partnership aimed at delivering opportunities for carriers and consumers alike.””

4. Minister Introduces changes to the Aeronautics Act in the Senate

Transport Minister introduced amendments to the *Aeronautics Act* in the Senate on May 17. Bill S-33 was scheduled to receive second reading and then will be referred to the Senate's Transportation and Communications Committee. Issues of interest are zoning, powers to protect land around the airport for development, self-regulation and liability insurance.

5. Airlines unfair to disabled, CTA Tribunal told

Three disabled passengers told the CTA Tribunal that the current practice of requiring disabled passengers to pay for extra seats to accommodate care-givers or for medical equipment is inherently unfair and constitutes a barrier to travel.

A spokesman indicated that airlines are not eager to accommodate such passengers and they will be seeking a systemic remedy, a one person, one fare model adopted by bus and rail (i.e., one fare one person model even if multiple seats are used).

* 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.

Current Developments in Brief

1. Agenda for Change, May 30, 2005, www.iata.org / State of the Air Transport Industry, Director General and CEO of IATA, May 30, 2005, www.iata.org

Air Transportation

CANADA

1. IATA takes giant steps to simplify the business US\$6.5 billion in potential savings, May 30, 2005, www.iata.org

2. Air Canada's Milton Assumes IATA Chairmanship, May 31, 2005, www.iata.org

3. Airlines Congratulate Transport Committee's Visionary Reform Plan, May 30, 2005, www.atac.ca

4. Minister Introduces changes to the Aeronautics Act in the Senate, May 18, 2005, www.cac.airports

5. Airlines unfair to disabled, CTA Tribunal told, *National Post*, Tuesday, May 31, 2005, p. FP 3.

6. Air Canada Jazz brand new CRJ-705 Jet departs Calgary for Houston giving travellers more choice and increased flights, June 2, 2005, www.aircanada.com

7. Air Canada expands service to China with the inaugural of non-stop Toronto-Beijing Service, June 3, 2005, www.aircanada.com

8. Air Canada to introduce non-stop service to Santo Domingo, offers up to 21 weekly flights to Dominican republic, June 3, 2005, www.aircanada.com

9. Air Canada introduces new non-stop routes Canada-wide; North American fleet renewal brings more point-to-point services and improved schedules, June 3, 2005, www.aircanada.com

10. Air Canada ranked best airline in North America in international survey of air travellers, June 3, 2005, www.aircanada.com

11. WestJet commences service between Calgary and San Diego, June 3, 2005, www.westjet.com

12. Westjet and Transat extend successful charter partnership, June 3, 2005, www.westjet.com

13. Air Canada routes blow to Westjet, *National Post*, June 3, 2005, p. FP4.

6. Air Canada Jazz brand new CRJ-705 Jet departs Calgary for Houston giving travellers more choice and increased flights

The first Bombardier Canadair Regional Jet 705 in commercial service, operated by Air Canada Jazz, departed from Calgary to Houston on June 1, 2005. Jazz is the first operator of this aircraft.

7. Air Canada expands service to China with the inaugural of non-stop Toronto-Beijing Service

Air Canada inaugurates the first-ever non-stop service between eastern Canada and mainland China. It plans to increase the service from four times per week to daily service by 2006.

8. Air Canada to introduce non-stop service to Santo Domingo, offers up to 21 weekly flights to Dominican republic

Air Canada announced that it plans to introduce non-stop service to Santo Domingo via Toronto beginning November 3, 2005. The addition of three weekly flights to the Dominican Republic increases its service to 21 weekly flights to the Caribbean.

9. Air Canada introduces new non-stop routes Canada-wide; North American fleet renewal brings more point-to-point services and improved schedules

On June 2, 2005, Air Canada announced the introduction of a series of new non-stop services between Edmonton-Regina, Edmonton-Saskatoon, Hamilton-Montreal, Hamilton-Ottawa, Calgary-Las Vegas and Vancouver-Las Vegas.

10. Air Canada ranked best airline in North America in international survey of air travellers

Air Canada has been ranked as the best airline in North America by an exhaustive worldwide survey of more than 12 million air travellers. The Alliance of which it is a founding member was also ranked as the best airline alliance.

11. WestJet commences service between Calgary and San Diego

On June 2, 2005, WestJet announced the commencement of its seasonal non-stop service to San Diego, California. It will offer three weekly non-stop flights between Calgary and San Diego with connecting services from other parts of Canada.

12. Westjet and Transat extend successful charter partnership

WestJet and Transat A.T. Inc. have reached a 30-month agreement that will allow leading tour operators Transat Holidays and World of Vacations to charter WestJet's Boeing next-generation 737 aircraft from Canadian gateways to designated international charter destinations. This agreement builds on the past two year agreement.

13. Air Canada routes blow to Westjet

Air Canada has indicated that the arrival of new regional jets has allowed it to launch service to several new city pairs, including Calgary-Las Vegas and Vancouver-Las Vegas. This is a blow to WestJet which was eyeing these markets. Air Canada indicated it will also launch domestic service to Edmonton-Regina/Saskatchewan, Hamilton-Ottawa/Montreal.

14. Seat sale war over, WestJet says

WestJet's chairman indicated that with Jetsgo's demise they have rational competition not irrational competition. This he expects will be much more sane than it was in the past. The announcement by CanJet Airlines to reduce fares for travel in June 2005 prompted WestJet and Air Canada to cut prices on certain flights.

15. Air Canada reports fourteenth consecutive month of record load factors for May

Air Canada reported a system load factor of 79.9% in May 2005, the highest ever for May. It flew 6.7% more revenue passenger miles in May 2005 than in May 2004. For domestic market, the load factor was 81.6% the highest every for May and a 1.9% increase over May 2004.

16. WestJet's May load factor increases to 70.6%

WestJet's load factor for May 2005 increased by 5.5 percentage points to 70.6% compared with 65.1% in May 2004. Its revenue passenger miles in May 2005 increased to 597.2 million from 451.9 million in May 2004.

17. Canada and India reach air agreement to permit five-fold increase in passenger flights

Transport Minister and International Trade Minister announced that the Governments of Canada and India have agreed to liberalize the countries' bilateral air transport agreement to allow a five-fold increase in passenger flights between the two countries. Canadian air carriers can access cities of Bangalore, Chennai, Hyderabad, Calcutta, Mumbai and Delhi.

18. Pearson aims for fast check at Customs

The operator of Pearson's airport expects Ottawa to scrap mandatory customs checks for foreign passengers connecting to international flights. The changes are crucial to the airport's growth strategy. At present, passengers flying into

14. Seat sale war over, WestJet says, *Globe and Mail*, June 3, 2005, p. B2.

15. Air Canada reports fourteenth consecutive month of record load factors for May, June 7, 2005, www.aircanada.ca

16. WestJet's May load factor increases to 70.6%, June 7, 2005, www.westjet.com

17. Canada and India reach air agreement to permit five-fold increase in passenger flights, June 7, 2005, www.tc.gc.ca

18. Pearson aims for fast check at Customs, *National Post*, June 9, 2005, pp. FP1/FP7.

19. ACE to sell 15% of Aeroplan in share offer, *National Post*, June 9, 2005, pp. FP1/FP7.

20. Aeroplan underwriters seek larger IPO, *Globe and Mail*, June 13, 2005, pp. B1/B4.

21. Airport Movement Statistics: small airports, January 2005, *The Daily*, June 9, 2005, www.statcan.ca

22. Air Canada and ACPA reach agreement on outstanding issues relating to new wide-body aircraft, June 9, 2005, www.aircanad.ca

23. Air fares climb in wake of Jetsgo's demise, *Globe and Mail*, June 14, 2005, p. B7.

24. WestJet hopes booking system can streamline growth strategy, *National Post*, June 14, 2005, pp. FP1/6.

25. Airport Activity, *The Daily*, June 14, 2005, www.statcan.ca

26. Scheduled air passenger origin and destination; Canada-United States, *The Daily*, June 14, 2005, www.statcan.ca

27. WestJet gains in business travel, *Globe and Mail*, June 15, 2005, p.B2.

28. WestJet converts two 737-600 purchase options into firm deliveries, June 15, 2005, www.westjet.com

29. WestJet announces withdrawal of Windsor service, June 15, 2005, www.westjet.com

30. Canada's best airline gets even better, June 15, 2005, www.westjet.com

31. Air Canada Calgary cargo stop on hold, *National Post*, June 16, 2005, pp. FP1/4.

32. Travel between Canada and other countries, *The Daily*, June 16, 2005, www.statcan.ca

33. Air Canada announces executive appointments, completes organizational realignment, June 16, 2005, www.aircanada.com

34. Pilots deal Air Canada revival plan big setback, June 2, 2005, www.globeandmail.com

Canada must be cleared by Canadian Customs agents before boarding connecting flights to the US or elsewhere in the world. The process is seen as unnecessarily time consuming by airport officials and airlines.

19. ACE to sell 15% of Aeroplan in share offer

ACE Aviation Holdings Inc. owner of Air Canada expects to raise as much as \$287.5 million from the planned sale of 15% stake in its Aeroplan customer rewards program. It will sell 25 million units at \$10 each.

20. Aeroplan underwriters seek larger IPO

The demand for Aeroplan Income Fund is much larger than expected causing ACE Aviation Holdings Inc. to consider doubling the size of the initial public offering as a result of a request by underwriters to increase supply.

21. Airport Movement Statistics: small airports, January 2005

The number of take-offs and landings at Canadian airports without control towers totalled 31, 670 in January 2005. This represented an increase of 12.5 percent from January 2004.

22. Air Canada and ACPA reach agreement on outstanding issues relating to new wide-body aircraft

On June 9, 2005, Air Canada indicated that it had reached a tentative agreement with the Air Canada Pilots Association on costs and other related issues relating to the introduction of new Boeing wide body-aircraft in its fleet.

23. Air fares climb in wake of Jetsgo's demise

Domestic fares at Air Canada and WestJet Airlines Ltd. have risen sharply since the exit of Jetsgo Corp though the carriers still face some competition from CanJet Airlines. According to a survey, the fares of the two airlines averaged \$234.34 in May up from \$215.39 in March. Average fares dipped below \$165 in late January the peak of the fare war.

24. WestJet hopes booking system can streamline growth strategy

WestJet plans to implement a new computerized reservation system as early as the end of this year making it easier for it to make customer sharing agreements with other airlines. It could be a crucial element of WestJet's future growth strategy as Air Canada receives a significant number of passengers from its Star Alliance partners. The likely candidates to partner WestJet once the new system is implemented are low cost carriers in the US such as JetBlue and Southwest Airlines Co. or international carriers such as Cathay Pacific.

25. Airport Activity

In 2004, 87.5 million passengers enplaned and deplaned at Canadian airports, up 11.6% over 2003. This is the first time that airport activity has exceeded pre-September 2001 levels.

26. Scheduled air passenger origin and destination; Canada-United States

About 14.9 million passengers travelled on scheduled air services between Canada and the United States in 2002. This statistic was down 2% compared to 2001 but higher than the 1999 statistics.

27. WestJet gains in business travel

According to a survey of corporate travel, Canadian companies are gradually embracing WestJet Airlines Ltd. as an alternative to Air Canada when booking

business trips. This is because companies have become more vigilant about their travel budgets because of increased scrutiny on spending levels and corporate governance. In addition, low-cost carriers are gradually being viewed as an alternative that is equal, if not superior to the full-service carriers.

28. WestJet converts two 737-600 purchase options into firm deliveries

WestJet announced that the purchase of two additional Boeing next-generation 737-600 aircraft has been approved. It is scheduled to receive ten of these aircraft in 2006 together with one 737-700.

29. WestJet announces withdrawal of Windsor service

WestJet announced the withdrawal of service from Windsor, Ontario which it began on April 1, 2003. It will be using the additional capacity by offering increased non-stop service between London and Calgary.

30. Canada's best airline gets even better

WestJet announced an increase in its Fall scheduled service to Las Vegas, Nevada and Fort Myers, Florida. It also announced non-stop service to Phoenix, Fort Lauderdale, Palm Springs and Los Angeles.

31. Air Canada Calgary cargo stop on hold

Air Canada may have to abandon its plans to include a Calgary stop on its new all cargo service between Toronto and Shanghai because of a complaint by rival CargoJet to the Canadian Transportation Agency. CargoJet alleges that Air

<http://www.globeandmail.com> 35. Used jets on Air Canada's shopping list, June 20, 2005, www.globeandmail.com
36. Air Canada adjusts domestic Canada fares in response to record high fuel prices/Oil high hits wallet, June 20/21, 2005, www.aircanada.ca / *National Post*.
37. Rebirth and all that Jazz, June 21, 2005, *National Post*, p. FP 3.
38. WestJet continues to serve Hamilton with low-fare service, June 21, 2005, www.westjet.com
39. WestJet integrates temporary fuel surcharge into domestic base fares, June 21, 2005, www.westjet.com
40. Lufthansa directed by Canadian Transportation Agency to compensate ticket-holders, June 22, 2005, www.cta-otc.gc.ca
41. Air Canada plans to raise \$250 million in Aeroplan Income fund IPO, June 23, 2005, www.canada.com
42. Canadian Transportation Agency alerts travellers about Akwaaba and Ahenfo airlines, June 23, 2005, www.cta-otc.gc.ca
43. Air Canada braces for flight delays, June 27, 2005, www.globeandmail.com
44. Air Canada seeks new vote on pilots' labour contract, *Globe and Mail*, Friday, June 25, 2005, p. B3 / Airline seeks Labour Board intervention, *National Post*, Saturday, June 26, 2005, P. FP2.
45. Air Canada, pilots dismiss concerns over schedule, *Financial Post*, June 28, 2005, p. FP6.
46. Bias charged in Air Canada rift, *Globe and Mail*, June 28, 2005, p.B1.
47. Westjet commences all-jet service to Charlottetown, P.E.I., June 28, 2005, www.westjet.com
48. ACE Aviation announces successful completion of Aeroplan Income Fund initial public offering for gross proceeds of \$250 million, June 30, 2005, www.aircanada.ca

US/EU

1. U.S. claims EU Airbus loans are illegal, *National Post*, Tuesday, May 31, 2005, p. FP 8.
2. Airline on-time performance improves in April 2005, June 2, 2005, www.dot.gov
3. Freight market to double: Boeing, June 8, 2005, www.joc.com
4. Jet Order in doubt: Milton, *National Post*, June 9, 2005, pp. FP1/FP7.
5. Air transport needs common sense, not more taxation; development needs commitment, not politics, June 8, 2005, www.iata.org
6. BTS releases first quarter 2005 airline financial data: regional passenger airlines report domestic profit; network and low-cost carriers report losses, June 20, 2005, www.dot.gov
7. BTS releases April passenger airline employment data: April 2005 employment down 2.8 percent from April 2004, June 20, 2005, www.dot.gov
8. BTS releases March airline traffic data: First quarter domestic traffic up 6.6 percent from 2004, June 16, 2005, www.dot.gov

Canada is unfairly leasing a US aircraft and crews from a US company to fly the domestic Calgary-Toronto leg of the all-cargo service which competes directly with CargoJet. This may be violating the Canada-US Agreement. Air Canada does not believe it is violating any rules.

32. Travel between Canada and other countries

Canadian travel to the overseas market showed another record in April 2005. It increased by 523,000 trips or .6% in April 2005 from the previous record set in March 2005. On the other hand, trips to the US decreased by 1.6% from March 2005. This resulted in an overall decline of 1.3% from March 2005.

33. Air Canada announces executive appointments, completes organizational realignment

Air Canada's President and Chief Executive Officer, Montie Brewer announced three key executive appointments (Sean Menke as Executive Vice President and Chief Commercial Officer; Joshua Koshy as Executive Vice President and Chief Financial Officer; and David Tait as Senior Vice President, Customer Service) to support the airline's strategic business objectives and complete its organizational realignment.

34. Pilots deal Air Canada revival plan big setback

Air Canada's revival plans suffered a major setback after a dispute over seniority rights for pilots forced the airline to cancel a \$6 billion (US) order for 32 new planes. The pilots association rejected their negotiating team's recommendation to accept the airline's offer on wages and working conditions for flying the new aircraft.

35. Used jets on Air Canada's shopping list

The cancellation of Air Canada's \$6 billion (US) order for Boeing aircraft has resulted in Air Canada shopping for new (five) used wide-body aircraft.

36. Air Canada adjusts domestic Canada fares in response to record high fuel prices

Air Canada is adjusting fares to reflect record high fuel prices. The fare increase applies to all types of fares. The increase (\$8 each way on flights up to 483 km, \$10 each way on mid range flights and \$15 each way on flights more than 1,609 km) comes into effect on tickets beginning June 23, 2005.

37. Rebirth and all that Jazz

Over the next two years Air Canada's regional carrier Jazz will see its fleet of regional jets grow from about 25 to 75 aircraft -- that is an addition to a fleet of about 70 turbo-prop planes -- as it expands across Canada and into the US. Jazz's new business model will make it look more like a national air carrier.

38. WestJet continues to serve Hamilton with low-fare service

WestJet indicated that it has no intention of ceasing operations in Hamilton contrary to inaccurate media coverage. They indicated that they offer 39 flights per week from Hamilton.

39. WestJet integrates temporary fuel surcharge into domestic base fares

WestJet indicated that it will integrate a temporary fuel surcharge into the base price of its domestic fares in response to a 38% increase in the price of a barrel of crude in the first five months of 2005 compared to a similar period in 2004. Effective June 23, 2005, a one way fare will increase by \$8 for flights under 300 miles, \$10 for flights between 301 and 1000 miles and \$15 for flights over 1000 miles.

New Publications

1. C.A.C. May 2005 - Newsletter, June 2, 2005, www.cacairports.ca
2. Canadian Transportation Agency, Annual Report 2004, June 2005, www.cta-otc.gc.ca
3. Transport Canada, Annual Report 2004, www.tc.gc.ca
4. Annual Report 2004, ECMT, www.oecd.org

40. Lufthansa directed by Canadian Transportation Agency [CTA] to compensate ticket-holders

CTA ordered Lufthansa to take corrective action by paying nine persons \$13,455 after the carrier failed to comply with its tariff by refusing to provide refunds for tickets purchased through Ideal Tours in Vancouver which closed business.

41. Air Canada plans to raise \$250 million in Aeroplan Income fund IPO

ACE Aviation Holdings, Air Canada's parent, will raise \$250 million by selling a 12.5% stake in its Aeroplan loyalty program in an income fund. The value of the plan is pegged at \$2 billion above the \$1 to \$1.5 billion expected earlier.

42. Canadian Transportation Agency [CTA] alerts travellers about Akwaaba and Ahenfo airlines

The CTA has issued a cease and desist order to Akwaaba and Ahenfo airlines to stop advertising and selling air transportation services between Toronto and Accra, Ghana without having proper authorization for the flights in question.

43. Air Canada braces for flight delays

Air Canada has warned that a group of pilots (belonging to the original Air Canada group) has threatened to delay flights as part of an escalating protest over seniority rankings.

44. Air Canada seeks new vote on pilots' labour contract / Airline seeks Labour Board intervention

Air Canada asked the Canada Industrial Relations Board yesterday to order a new vote on a proposed labour contract rejected last week by unionized pilots. The vote led to the cancellation of a \$6 billion plane order from Boeing Co.

44. Air Canada seeks new vote on pilots' labour contract / Airline seeks Labour Board intervention

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45. Air Canada, pilots dismiss concerns over schedule

Air Canada and members of the group of disgruntled pilots downplayed fears that the pilot's dispute over seniority will delay flights during the summer season. Air Canada indicated that so far there has been no impact on their operations.

The Original Air Canada pilots indicated that they will not and have not contemplated any action that would threaten either the safety or convenience of the travelling public.

46. Bias charged in Air Canada rift

A group of former Canadian pilots alleges that the leadership at the Air Canada Pilots Association is biased in favour of so-called Original Air Canada (OAC) pilots. The complaint to the Canada Industrial Relations Board argues that the president of the union should ignore pressure from dissatisfied OAC pilots and stop keeping the seniority issue alive.

47. Westjet commences all-jet service to Charlottetown

On June 28, 2005, Westjet began its new seasonal non-stop daily service to Charlottetown and Toronto until September 15, 2005. A direct flight between Charlottetown and Vancouver is also available for guests.

48. ACE Aviation [ACE] announces successful completion of Aeroplan Income Fund

ACE and Aeroplan Limited Partnership (ALP) announced the successful completion of its initial public offering of 25 million units at a price of \$10 per unit for gross proceeds of \$250 million. Part of the funds will be retained by ALP for Aeroplan mile redemptions and capital expenditures and part will be distributed to ACE for general corporate purposes.

WATER TRANSPORTATION

1. Transport Canada supports the Government of Canada's Ocean Action Plan

Transport Minister and Fisheries and Oceans Minister announced a proposed study of the risks of an accidental oil spill in Canadian waters along the south coast of Newfoundland and Labrador. The objective of the study is to gather information to assess the risk facing the south coast of Newfoundland and Labrador over the next 10 years resulting from the transportation of oil and oil products by commercial vessels.

2. Study of risks of accidental oil spills in Canadian waters announced

Transport Minister announced the commitment of his department to supporting phase one of the Government of Canada's Ocean Action Plan. The \$28 million plan was announced by the Minister of Fisheries and Oceans. Of this money, Transport Canada will receive \$4.5 million to increase and improve surveillance and to finalize new regulations.

3. B.C. ports may luck out from Asia shipping boom

The booming Asian trade has put pressure on ports and Canada's West Coast ports stand to benefit. The ports of Vancouver and Prince Rupert are well positioned to benefit and some additional freight may move to the East ports. Canada is doing all it can according to the Minister of Industry and this year the flow of traffic appears to be smoother than the traffic flow in last year's bottleneck. If significant congestion is to occur this year, it could start with the truckers according to a UBS Securities report.

4. Transport Canada and Caribbean States sign a licence agreement on port state control

Transport Minister signed an agreement on June 10, 2005 with members of the Caribbean Memorandum of Understanding on Port State Control. The agreement will provide marine inspectors in the Caribbean with a licence to use Transport Canada's Port State Control software to develop their own port State control inspection database. The agreement is an example of Transport Canada's commitment to eliminate substandard shipping.

5. Maersk makes formal P&O bid

A.P. Moller-Maersk said it has made a conditional public offer for the shares in Royal P&O Nedlloyd NV, offering a cash payment of 57 euros per share (i.e., \$69), for a total purchase price of \$2.8 billion. The offer is conditional on approval from the competition authorities in the EU and the US.

6. Transport Canada proposes requirements for ships to exchange their ballast water outside Canadian waters

Transport Minister announced proposed regulations to further reduce the risk of harmful aquatic species being introduced into Canadian waters through ships' ballast water. Ships will be required to exchange their ballast water at least 200 miles from shore and in waters having a depth of 2,000 metres or more before entering Canadian waters. Best management practices will have to be followed in other situations.

7. Transport Minister introduces amendments to the Canada Marine Act

Transport Minister announced that amendments to the *Canada Marine Act* have been introduced in Parliament. The amendments provide Canada Port Authorities [CPA] with access to federal contribution programs for key infrastructure improvements.

Current Developments in Brief

Water Transportation

CANADA

1. Transport Canada supports the Government of Canada's Ocean Action Plan, May 27, 2005, www.tc.gc.ca
2. Study of risks of accidental oil spills in Canadian waters announced, May 27, 2005, www.tc.gc.ca
3. B.C. ports may luck out from Asia shipping boom, *Globe and Mail*, June 10, 2005, p. B4.
4. Transport Canada and Caribbean States sign a licence agreement on port state control, June 10, 2005, www.tc.gc.ca
5. Maersk makes formal P&O bid, June 10, 2005, www.joc.com
6. Transport Canada proposes requirements for ships to exchange their ballast water outside Canadian waters, June 13, 2005, www.tc.gc.ca
7. Transport Minister introduces amendments to the Canada Marine Act, June 22, 2005, www.tc.gc.ca
8. Association of Canadian Port Authorities welcomes the opportunity to amend the Canada Marine Act, June 23, 2005, www.acpa-ports.net
9. A Blueprint for a stronger future, June 27, 2005, www.acpa-ports.net
10. Strike cripples Vancouver port, June 27, 2005, www.joc.com
11. Port strike threatens retailers, *National Post*, June 28, 2005, p. FP1.
12. Vancouver truckers seek eastern support, *Globe and Mail*, June 29, 2005, p. B4 / Vancouver port reputation 'damaged' by strike, *National Post*, June 29, 2005, p. FP4.
13. Proposed Marine Transportation Security Clearance Program (MTSCP), June 30, 2005, www.tc.gc.ca

US/EU

1. TACA extends fuel charge, June 13, 2005, www.joc.com
2. LA won't see peak repeat, June 14, 2005, www.joc.com
3. EU shippers: let liners compete, June 16, 2005, www.joc.com
4. Long Beach cuts free time, June 21, 2005, www.joc.com
5. P&O Ports cuts box forecast, June 22, 2005, www.joc.com
6. Shenzhen to double boxes by 2010, June 24, 2005, www.joc.com
7. P&O deal won't stop Grand Alliance, June 27, 2005, www.joc.com

They will allow the Minister, in certain cases, to increase a port authority's borrowing limits and to reduce the minimum number of directors on the boards of most CPAs. In order to improve the competitiveness of the Canadian marine industry, the department will not limit its activities to legislative amendments. They would also enhance the safety and efficiency of Canadian waterways.

8. Association of Canadian Port Authorities welcomes the opportunity to amend the Canada Marine Act

The Association is pleased that the Minister of Transport has introduced Bill C-61, An Act to Amend the *Canada Marine Act* in the House of Commons. The Chair of the Association said that "The process of regulatory amendment now begun will afford the port community an excellent opportunity to revisit the key issues for Canada's major ports and determine what must be done to ensure Canada's National Ports System is strong, agile and ready to compete.

9. A Blueprint for a stronger future

Eight Marine associations that represent Canada's marine industry published a blueprint for a stronger future. The blueprint makes 49 recommendations (shown in brackets) on several issues. These issues are: strengthen partnerships (8); improve competitiveness (17); build on marine's environmental strengths (12); invest in the future (6); and focus on the human element (6).

10. Strike cripples Vancouver port

More than 1,000 harbour truck drivers remain off the job at the Port of Vancouver on June 27. The truckers launched the action as it failed to make a deal with trucking companies on pay raises. The truckers demanded increases of \$150 to \$200 a day to keep up with soaring fuel costs.

11. Port strike threatens retailers

The Retail Council of Canada called on federal Transport Minister to take whatever action to resolve the dispute between the drivers and the Port of Vancouver. They indicated that the strike is a serious disruption as 40% of container traffic moving through the Port of Vancouver is by truck. The truckers which are independent truckers have set up pickets at all the terminal container ports in Vancouver. Most of the freight is bound for retailer stores in British Columbia.

12. Vancouver truckers seek eastern support / Vancouver port reputation 'damaged' by strike

The possibility of strike heightened as truckers sought support of drivers from Eastern provinces and as retailers threatened to divert cargo to Seattle and Tacoma. Truckers involved in the dispute have been allowing out-of-province drivers carrying refrigerated products to move through the port. They want out-of-province drivers to respect what they are doing. The Business Council of BC warned that the dispute is damaging the port's reputation as a place to do business. Several groups have called on the federal government to step in to resolve the disagreement.

13. Proposed Marine Transportation Security Clearance Program (MTSCP)

Transport Canada provides a status report of the MTSCP formerly known as the Marine Facilities Restricted Area Access Clearance Program.

RAIL TRANSPORTATION

1. Rail in Canada

Operating revenues in the Canadian rail transportation industry continued its upward trend in 2003 despite the series of shocks to the economy. Operating revenue was \$8.3 billion an increase of 1.2% from 2002. Freight revenues accounted for 88.5% of total revenues. Passenger operations accounted for 3.1% of total revenues. Operating expenses rose 1.5% to \$6.7 billion. Coal remained the main commodity transported. Employment in the industry continued its declining trend. Passenger revenues fell for the first time in five years. VIA Rail accounted for 90.1% of all passenger revenue.

2. Canadian Pacific Railway Limited [CPR] announced share repurchase program

CPR has made necessary filings for a normal course issuer bid to purchase for cancellation up to 2.5 million of its outstanding common share.

3. CP brings wind power to the Prairies

CPR is to transport the equipment needed for the construction of wind power windmill generators from the Port of Houston to a wind farm at Hak, Saskatchewan.

4. Milwaukee's mayor, volunteers to help remove trash, graffiti from railroad property

On June 3, 2005, scores of volunteers led by Milwaukee Mayor will work with Canadian Pacific Railway employees to remove trash and graffiti at two

locations along CPR tracks in the city.

5. CPR completes first project in Western Capacity Expansion Program

A 8,500-foot-long track has been built at CPR's Coquitlam yard near Vancouver for trains of Canadian bulk commodities destined for ocean-going ships calling at Vancouver. This is the first of 25 projects under a \$160 million program to

Current Developments in Brief

Rail Transportation

CANADA

1. Rail in Canada, *The Daily*, May 31, 2005, www.statcan.ca
2. Canadian Pacific Railway Limited announced share repurchase program, May 31, 2005, www.cpr.ca
3. CP brings wind power to the Prairies, June 1, 2005, www.cpr.ca
4. Milwaukee's mayor, volunteers to help remove trash, graffiti from railroad property, June 2, 2005, www.cpr.ca
5. CPR completes first project in Western Capacity Expansion Program, June 6, 2005, www.cpr.ca
6. All aboard: rail safety strategic plan (2005-2010) May, 2005 (TP14353E), www.tc.gc.ca
7. CN's signals and communications employees in Canada ratify four-year collective agreement, May 26, 2005, www.cn.ca
8. Railway safety to be improved across Canada, June 30, 2005, www.tc.gc.ca

US/EU

1. BNSF: Ready for peak season, June 16, 2005, www.joc.com
2. Statement of US Transportation Secretary Norman Y. Mineta concerning House Appropriations Committee Action on Amtrak, June 21, 2005, www.dot.gov

increase train capacity.

6. All aboard: rail safety strategic plan (2005-2010)

Transport Minister announced the 'All aboard: rail safety strategic plan'. It provides a summary of what Transport Canada is doing to further improve the system. It has adopted four strategic directions: public safety leadership; mutually beneficial relationships, operational excellence and excellence through people.

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

On May 26, 2005, CN announced that members of the International Brotherhood of Electrical Workers (representing signals and communications employees) have ratified a four-year collective agreement with the company.

8. Railway safety to be improved across Canada

Transport Minister on June 29, 2005 announced that the Government of Canada will provide more than \$11 million to improve safety at 80 railway crossings in Canada. Since 1994, more than \$100 million has been committed.

HIGHWAY TRANSPORTATION

1. Phase two of border infrastructure fund improvements begin at the Peace Bridge

The Government of Canada and the Buffalo and For Erie Public Bridge Authority announced the start of construction for phase two of the Border Infrastructure Improvements at the Peace Bridge. This bridge is Canada's third busiest crossing for passenger vehicles and trucks. Phase two involves the extension of a truck queuing lane, and relocation of the primary and secondary customs traveller facilities complete with the integration of bus processing facilities.

2. Canada and Ontario improving safety at Windsor border

The Governments of Canada, Ontario and Windsor reported more progress in improving the Windsor-Detroit Gateway. Construction began on the overpass across the busy, six-lane Huron Church Road that leads to the Windsor-Detroit border. It is expected to greatly improve safety to pedestrians.

3. VIVA is on a roll - from a to beinginnovative

The next era of public transit vehicles has arrived in the York Region with the unveiling of the first rapid transit vehicle. The fleet of 25, 60-foot vehicles and 60, 40-foot vehicles, is being built in Belgium by the award-winning bus manufacturer Van Hool.

4. Transport Minister signs contribution agreement with Manitoba for Intelligent Transportation Systems

Federal and Provincial government officials announced the signing of an agreement for the acquisition and installation of eight Road Weather Information System stations along the National Highway System in Manitoba. The Government of Canada will pay half of the total cost of the project (i.e., .5 x 520,400=212,100).

5. New truck route to improve access to international border

The governments of Canada and Ontario and the City of Sault Ste. Marie marked the start of construction of a new \$12.6 million truck route in Sault Ste. Marie on June 6, 2005 to ease local congestion and to improve access to the International Bridge connecting Ontario and Michigan.

6. Amendments to the Motor Vehicle Transport Act, 1987

Transport Minister announced legislative and regulatory changes to improve road safety. "Through these proposed amendments, we will be able to establish a common approach to safety ratings nationally so that safe motor carriers may compete on a level playing field across Canada and eventually across North America. This will help improve safety, reduce the risk of commercial vehicle collisions and promote a fair and competitive environment for safe carriers," according to the Minister.

7. For-hire motor carriers of freight, top carriers

The top 91 (i.e., \$25 million revenue or more) for-hire Canadian motor carriers of freight generated operating revenue of \$2.22 billion and expenses of \$2.08 billion in the first quarter. Average per-carrier revenue increased 3.8% to \$24.4 million from the first quarter of 2004 to the first quarter of 2005. Average per-carrier expenses increased 2.5% to \$22.8 million. The operating ratio (i.e., operating expenses divided by operating revenue) improved slightly to .94 from .95 in the 1st quarter of 2004 over the 1st quarter of 2005.

8. Mullen buys remaining 55% of Payne Transportation for \$1.5M and 100,000 shares

Alberta trucking and energy services company Mullen Transportation Inc. said Tuesday that it has bought the 55 per cent of Payne Transportation Inc.

it didn't already own for \$1.5 million and 100,000 shares.

Current Developments in Brief

Highway Transportation

CANADA

1. Phase two of border infrastructure fund improvements begin at the Peace Bridge, May 27, 2005, www.tc.gc.ca
2. Canada and Ontario improving safety at Windsor border, May 27, 2005, www.tc.gc.ca
3. VIVA is on a roll - from a to beinginnovative, May 30, 2005, www.tc.gc.ca
4. Transport Minister signs contribution agreement with Manitoba for Intelligent Transportation Systems, June 2, 2005, www.tc.gc.ca
5. New truck route to improve access to international border, June 6, 2005, www.tc.gc.ca
6. Amendments to the Motor Vehicle Transport Act, 1987, June 10, 1987, www.ctc.gc.ca
7. For-hire motor carriers of freight, top carriers, *The Daily*, June 14, 2005, www.statcan.ca
8. Mullen buys remaining 55% of Payne Transportation for \$1.5M and 100,000 shares, June 14, 2005, www.nationalpost.com
9. Project furthers twinning of Highway 43 - northwest leg of trade corridor moves closer to completion, June 30, 2005, www.tc.gc.ca

US/EU

1. BTS Releases North American Surface Trade Numbers for March: March Surface Trade with Canada and Mexico Rose 5.6 percent from March 2004, www.dot.gov
2. Mineta says nation needs action on highway, transit spending bill; proclaims overnight development in Congress encouraging, June 27, 2005, www.dot.gov

9. Project furthers twinning of Highway 43 - northwest leg of trade corridor moves closer to completion

The Alberta Government will invest about \$52 million in Highway 43 bringing the total to \$450 million. The federal government will invest \$29 million under the Strategic Highway Infrastructure Program.

GENERAL

1. Western ministers develop transportation strategy

The ministers of Canada's western provinces have developed a broad transportation infrastructure strategy. It involves all modes ensuring integrated, efficient and modernized transportation. They have identified \$14 billion in projects over the next 20 years of which \$10 billion are going to be in highway infrastructure.

2. Transportation Skills Development Funding Announced

Transport Minister announced two projects for transportation-related skills development and capacity on May 31, 2005. The projects will receive \$150,000 (National Aboriginal Achievement Foundation \$100,000 and WESTAC \$50,000).

3. WESTAC to launch Transpocity.ca

The Western Transportation Advisory Council is launching the first phase of transpocity.ca with funding from Transport Canada. It highlights careers available in the transportation industry.

4. Western Canada focus of Canadian Transportation Agency's 2004 centennial-year Annual Report

The Canadian Transportation Agency has released its latest Annual Report which was tabled by Transport Minister in Parliament. It covers activities of 2004 such as: shortfall in Western rail and port capacity; acquisition of BC Rail by CNR; grain handling and transportation issues on the Prairies; proposed transfer of the Government's hopper car fleet; tariff increase by the Laurentian Pilotage Authority; coasting trade applications; etc.

5. Domestic Travel

Travel in Canada by Canadian residents increased 1.6% to 175.1 million trips in 2004 compared to 2003. Canadians took 41.8 million trips in 2004 a gain of 6.5% gain over 2003. Over 36 million of these trips were to the United States.

6. Governments of Canada and Saskatchewan invest \$876,000 in ITS for Saskatchewan

Governments officials announced a contribution agreement between the Government of Canada and Saskatchewan for the deployment of Intelligent Transportation Systems (ITS). The two governments will each contribute \$438,000 for the deployment of ITS technologies in that province.

7. More federal funding announced for sustainable transportation projects

Eleven projects designed to contribute to a more environmentally friendly transportation system have been selected to receive funding under the Moving on Sustainable Transportation program. The projects will receive a total funding of \$407,000. The program Moving on Sustainable Transportation has funded 73 projects since 1999. This program originally slated to last three years was extended to 2007 and was given \$2.5million to the \$1 million +.

8. Major Canadian retailer joins influential transportation forum in the West

The Western Transportation Advisory Council has announced that Canadian Tire Corporation, Limited has become a member of the Council.

9. National tourism indicators

Tourism spending grew 1.1% in the first quarter of 2005 based on spending by domestic travellers. This is the seventh quarter of consecutive growth. The decline in tourism demand by non-residents was offset by the increase in tourism demand by residents. Transportation spending shows a similar pattern.

10. Agreement to reduce greenhouse gas emissions in aviation signed

Transport Minister announced on June 29, 2005, that an agreement has been signed by the Government and the Air Transport Association of Canada to reduce the growth of gas emission in Canada's aviation sector by 1.1% a year.

Current Developments in Brief

Environment

CANADA

1. Western ministers develop transportation strategy, May 27, 2005, www.ctl.ca
2. Transportation Skills Development Funding Announced, May 31, 2005, www.tc.gc.ca
3. WESTAC to launch Transpocity.ca, June 1, 2005, www.ctl.ca
4. Western Canada focus of Canadian Transportation Agency's 2004 centennial-year Annual Report, May 31, 2005, www.cta-otc.gc.ca
5. Domestic Travel, *The Daily*, June 1, 2005, www.statcan.ca
6. Governments of Canada and Saskatchewan invest \$876,000 in intelligent transportation systems for Saskatchewan, June 6, 2005, www.tc.gc.ca
7. More federal funding announced for sustainable transportation projects, June 8, 2005, www.tc.gc.ca
8. Major Canadian retailer joins influential transportation forum in the West, June 24, 2005, www.westac.com
9. National tourism indicators, *The Daily*, June 29, 2005, www.statcan.ca