

# Transportation Information Update\*

Editor: Joseph Monteiro\*\*

March 2005, No. 7

Associate Editor: Gerald Robertson\*\*

## Jetsgo is out of business: travellers to make other plans/Jetsgo collapse ‘regrettable,’ Martin says

Jetsgo, the Montreal-based discount airline, announced on March 11 that it is grounding its operation, immediately. It has sought Court protection from creditors under the *Companies’ Creditors Arrangement Act*. The Prime Minister said “It’s a very regrettable situation” and indicated that Transport Minister has asked competing airlines to pick up some of the slack. In the House of Commons, the opposition demanded that the government take action to protect passengers and blamed high taxes for the airline industry’s woes. Transport Minister replied by indicating that there are five major airline companies under bankruptcy protection in the United States, suggesting that the ‘American model, is not the answer. “The reality is that at present, we have ferocious competition.” In terms of industry competition, he said, the “consumer has been very well served” with low fares and increased competition emerging.

## AIR TRANSPORTATION

### 1. Airlines gear up fare wars

Airline passengers are reaping the benefits of reduced pricing particularly in Western Canada due to the ongoing battle to control the skies. WestJet Airlines indicated that it intends to protect its market shares. Last week, Air Canada, Jetsgo and Westjet dropped their fares by 20% on key routes. Westjet’s decline was as much as 24% on its busiest routes. Examples of Westjet’s one-way fare reductions are: Winnipeg to Calgary down 36% (\$83 from \$130); Vancouver-Calgary down 38% (\$58 from \$93); and Vancouver-Edmonton down 57% (\$79 from \$184).

### 2. Airline ticket prices to increase/Airline executives say fares bound to rise following Jetsgo Failure/Air Canada WestJet gets ‘good news’ from demise/Jetsgo demise puts lift in Air Canada, WestJet stock/ Cost to fly takes off on Jetsgo’s demise/Will some travellers abandon airlines?

Top executives at Air Canada and WestJet say that consumers are going to pay more with the bankruptcy of Jetsgo. CEO of Air Canada said that “This was inevitable...When the fares are \$49, or \$1, its too good to be true and this is going to happen”. Westjet’s CEO indicated that the fare increases will be modest. The prices will not soar but will allow the airlines to make money as prices were artificially low below the cost of providing the service. According to some analysts, the demise of the airline will remove the pressure from Westjet and Air Canada and help stabilize the industry. As a consequence, Westjet’s shares jumped 51% and Air Canada’s shares jumped 15%. WestJet’s CEO indicated that “I’ve maintained for a long time that Canada is only large enough to sustain two significant carriers.” News by Desjardins Security indicated that the one-week advance Westjet fare on February 14 increased by 50% from a week ago and the three-week advance fare jumped 20%. For Air Canada, it was 33% higher and 16% higher for the two types of bookings. Spokeswoman for Air Canada indicated that the fare increases reflect increased demand (i.e., as lower fares sell out customers purchase higher class fares which affect average price paid) due to the March Spring break. Air Canada is expected to pick up 64 percent of Jetsgo’s business, Westjet 22 percent, Canjet 3 percent and the remaining 11 percent will disappear. A Vancouver company does not agree with these figures indicating that Air Canada, WestJet and Canjet would capture 50%, 45% and 5% of 70% of Jetsgo’s traffic with the remaining 30% being lost. There is also some concern that existing carriers would lose some of their own traffic as they raise their prices.

### 3. Ottawa Grilled on Jetsgo/The rent ate my airline/Jetsgo had high-risk expansion strategy

Conservative critics indicated that Jetsgo’s demise is an example of the

\* 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

1. Jetsgo is out of business: travellers to make other plans March 11, 2005 ([www.nationalpost.com](http://www.nationalpost.com))/Jetsgo collapse ‘regrettable,’ Martin says, March 11, 2005, ([www.globeandmail.com](http://www.globeandmail.com)).

### Air Transportation

CANADA

1. Airlines gear up fare wars, *National Post*, March 2, 2005, p.FP9.
2. Airline ticket prices to increase, March 14, 2005 ([www.nationalpost.com](http://www.nationalpost.com))/Airline executives say fares bound to rise following Jetsgo failure March 14, 2005/([www.globeandmail.com](http://www.globeandmail.com))/Air Canada WestJet gets ‘good news’ from demise, *Globe and Mail*, March 12, 2005, p. B 5 / Jetsgo demise puts lift in Air Canada, WestJet stock, *National Post*, March 12, 2005, p. 1 / Cost to fly takes off on Jetsgo’s demise, March 15, 2005 ([www.globeandmail.com](http://www.globeandmail.com)) / Will some travellers abandon airlines? *Globe and Mail*, March 17, 2005, p. B 5
3. Ottawa Grilled on Jetsgo, *National Post*, March 14, 2005, p. A1-A6 / The rent ate my airline, *National Post*, March 14, 2005, p. A1-A6/ Jetsgo had high-risk expansion strategy, *Globe and Mail*, March 14, 2005, pp. B1-B2.
4. Jetsgo ditches in red ink, *Globe and Mail*, March 12, 2005, pp. A1-A6 /Airline’s abrupt shutdown shocks industry analyst, *Globe and Mail*, March 12, 2005, pp. A1-A6 / Jetsgo accused of running on airports’ money, *National Post*, March 16, 2005, p. FP5.
5. A pilot’s fourth crash, *Globe and Mail*, March 12, 2005, pp. B1-B5 / Frequent flyer Leblanc leaves checkered legacy, *National Post*, March 12, 2005, FP 4/ An airline addict hits his fourth wall, March 17, 2005 ([www.globeandmail.com](http://www.globeandmail.com)).

government's lack of support for Canada's battered airline industry with nine carriers failing during a liberal government. Some writers indicate that the demise of the discount airline may be the catalyst that forces the government to change its most criticized policy governing the airline industry - the airport rent policy. Other writers indicate that Jetsgo's high-risk expansion strategy relying on unearned revenue did not work. This unearned revenue shrank rapidly since December 2004. The safety audit sanctioned by Transport Canada after a few incidents contributed to additional pressure on the airline.

#### **4. Jetsgo ditches in red ink/Airline's abrupt shutdown shocks industry analyst/Jetsgo accused of running on airports' money**

Jetsgo decided to jump into bankruptcy protection after demands from its creditors: the Greater Toronto Airports Authority and Nav Canada. Court documents suggest that the latter creditor may have triggered the end of the carrier. Officials at the country's airport indicated that Jetsgo helped to finance day-to-day operations with money it collected on behalf of the airports (airport improvement fees of \$5 to \$15) which is now included in the airfare. The amount owed is somewhere between \$6 million to \$10 million. The carrier also ran into trouble for failing to meet Transport Canada's safety requirements. Since December 2004, it had as many as eleven incidents. One analyst indicated that the abrupt shut down was a shock. While its demise was expected, it was believed that given the arrival of the busy season the carrier would survive till November or December. The analyst indicated that it is difficult to discern what caused the decision to suddenly shut down, though financial viability played a major role together with the possibility of concerns about a safety audit.

#### **5. A pilot's fourth crash / Frequent flyer Leblanc leaves checkered legacy**

These articles provide a description of Mr. Michel Leblanc entry into the airline business. In 1978, he flew planes for his company Conifair Aviation spraying forests for budworms and in 1979 he went into business with Mr. Bernier to do tree spraying. In the mid 1980s, he and others started Nordair-Metro, a Quebec City based commuter airline. In 1986, they purchased Quebecair and renamed it Intair. By the end of 1990, the carrier filed for bankruptcy protection. A year later, he launched Royal Airlines as a charter airline and in August 2000 he turned it into a scheduled carrier. In early 2001, Royal Airlines was acquired by Canada 3000 and in November 2001, Canada 3000 filed for bankruptcy. In April 2002, he started Jetsgo Corp. which made a small profit in 2003 a loss in 2004 and went into bankruptcy in March 2005.

#### **6. Jetsgo failure may lead to tougher rules/Jetsgo founder sorry for shutdown/ Jetsgo founder expresses sympathy for stranded passengers/Leblanc on sorrow, remorse and his little 'white lie' /Leblanc not ready to give up on airlines**

An analyst indicates that Transport Canada may be compelled to raise the barrier to entering Canada's airline industry.

But there is no official statement or response from Transport Canada on this. Michel Leblanc says he is sorry about the abrupt shutdown of the airline which marooned some 17, 000 passengers. He indicated he had no choice and did not want any airport riots or employees lynched. He accused Westjet for using espionage to undercut his operations and blamed Nav Canada for trying to seize

some of his planes. Mr. Leblanc is not ruling out a future in the airline business. He is adamant that Jetsgo is undergoing a restructuring and not a liquidation although he will not provide details about his plans for the company's future. He said that if the right opportunity presented itself he would consider launching another low cost airline. A Professor at the University of Toronto said that this could happen. People have short memories and now that the public's appetite for low-fare air travel has been kindled it won't go out.

#### **7. Jetsgo sent jets to Quebec for safe haven from creditors/Airports want Jetsgo liquidated to recoup cash/Jetsgo descent planned last Wednesday**

A newspaper report indicates that Jetsgo sent the bulk of its fleet of 15 Fokker 100s to Quebec City last Thursday night in a calculated effort to protect its prized assets from creditors. Pilots were told to take the aircraft there for air worthiness checks on parts, etc. Each Fokker is valued at \$750,000 a piece. Their MD-83 leased fleet was parked at Vancouver, Toronto and Montreal airports. Some of Canada's largest airports may ask a bankruptcy judge to liquidate Jetsgo Corp. in an attempt to get back some of the money owed to them by the airline. They felt that there is no advantage in allowing Jetsgo to continue to benefit from bankruptcy protection as it is unlikely that they will return to

6. Jetsgo failure may lead to tougher rules, *National Post*, March 15, 2005, p. FP7 /Jetsgo founder sorry for shutdown, March 17, 2005 ([www.nationalpost.com](http://www.nationalpost.com))

/ Jetsgo founder expresses sympathy for stranded passengers, March 17, 2005 ([www.globeandmail.com](http://www.globeandmail.com))/Leblanc on sorrow, remorse and his little 'white lie', *Globe and Mail*, March 18, 2005, pp. B1.B2 /Leblanc not ready to give up on airlines, *National Post*, March 18, 2005, pp. FP1-FP2.

7. Jetsgo sent jets to Quebec for safe haven from creditors, *Globe and Mail*, March 15, '05, pp. B1-B8 / Airports want Jetsgo liquidated to recoup cash, *Globe and Mail*, March 15, '05, p. B8 / Jetsgo descent planned last Wednesday! /*Globe and Mail*, March 16, '05, pp. B1-B16.

8. Competition Bureau didn't do job: Jetsgo CEO, *National Post*, March 21, 2005, p. FP3 / 'Poor management' cited for carrier's woes, *National Post*, March 21, 2005, p. FP3 / The final, frantic days of Jetsgo, *The Globe and Mail*, March 19, 2005, p. B3 / Jetsgo defied laws of pricing, *National Post*, March 21, 2005, p. FP19 / Jetsgo went bankrupt with \$108m in unpaid bills, *National Post*, March 23, 2005, p. FP4 / Jetsgo creditor seeks order to seize Fokkers, *Globe and Mail*, March 23, 2005, p. B3.

9. Traveller gripes add to Jetsgo growing pains, *Globe and Mail*, March 1, 2005, p. B4.

10. Emirates keeps flying above it all, *National Post*, March 2, 2005, pp. FP1/7.

11. Remarks for the Honourable Norman Y. Mineta, Secretary of Transportation, *Canadian Open Skies Forum*, Ottawa, Ontario, Canada, February 24, 2005.

12. Air Canada expands online ticket service to include international flights, *National Post*, Friday, March 4, 2005, p. FP6.

13. Airlines filling more seats, *National Post*, Friday, March 4, 2005, p. FP6.

business. More recent news indicates that Jetsgo founder and accountants and lawyers met on the 9<sup>th</sup> of March a couple of days before Jetsgo closed operating flights. The accountants advised the founder to place Jetsgo into bankruptcy protection if he wanted to keep the carrier in business. They indicated that the planes had to be safeguarded and stored with proper insurance coverage.

### **8. Competition Bureau didn't do job: Jetsgo CEO/'Poor management' cited for carrier's woes/Jetsgo defied laws of pricing/The final, frantic days of Jetsgo / Jetsgo went bankrupt with \$108m in unpaid bills / Jetsgo creditor seeks order to seize Fokkers**

Michel Leblanc in an interview with National Post spoke of the demise of his low-cost carrier. In two of the response to questions why Jetsgo was not successful he blamed the Competition Bureau. He did not believe that Canada had room for only two main carriers nor that it had grown too quickly and that he was committed to a low cost model. He felt that he should have looked earlier for financing and that if an opportunity came up again he would consider the airline industry. A business leader poll says that Jetsgo Corp.'s embattled president is responsible for the airline's collapse but high taxes and airport fees are also to blame for denting the airlines' balance sheets. Another respondent indicated that its demise stems from its questionable low fares. 89% of the poll's respondents believed poor management on Mr. Leblanc's part was responsible for the demise. 86% of the survey participants blamed the carrier's directors and senior executives. 55% indicated that the federal government and its arms length agencies which imposed taxes, fees and rents must also be held responsible. The article on pricing indicates that Jetsgo did not bring realistic competition to the skies as they sold their product below cost till they went out of business. It raises questions as to why more money was collected in the form of airport rents, security taxes, fuel and excises taxes and navigation charges in the past five years than the profits airlines made in the last 10 years? Why is Pearson the fourth most expensive airport to operate from in the world? Canada has healthy competition.

First, Nav Canada issued a pay-up call, then threatened to ground Jetsgo's fleet. Jetsgo paid Nav Canada a certified cheque for \$1.25 million on March 7, 2005 and promised to make further payments. But problems continued as other creditors such as the Greater Toronto Airport Authority began demanding overdue payments. A preview of some of Jetsgo's problems came from his operational side beginning in December 2004. The court-appointed monitor in Jetsgo's bankruptcy protection says the failed discount carrier's outstanding bills, to be paid within one year, totalled at least \$108 million as of March 11, 2005. A long list of creditors is seeking a court order to seize up to five of the carriers's Fokker 100s in Quebec City.

### **9. Traveller gripes add to Jetsgo growing pains**

The federal Air Travel Complaints Program received 160 complaints about Jetsgo, 11 complaints about WestJet and 472 complaints about Air Canada in 2004. This can be compared to 46, 7 and 486 about the three in 2003. The other carriers complained about were Skyservice Airlines Inc. (110), Transat A.T. Inc. (75) and Canjet (4) in 2004 compared to 83, 107 and 5 in 2003. The dramatic increase in complaints about Jetsgo Corp. attracted attention and spokesman for the airline indicated that they were stepping efforts to improve customer service.

### **10. Emirates keeps flying above it all**

Vice-Chairman of Emirates Group (owner of Emirates Airlines) indicates that he is surprised that Canada is so restrictive regarding access. He indicates that he has lobbied to enter the Canadian market for nearly two years with no success. Emirates is considered one of the best airlines in the world serving 77 cities in 55 countries. Emirates would like to fly daily between Dubai and Toronto though current rules only allow a maximum of three flights a week. Transport Canada's Minister met with the UAE ambassador to Canada to discuss the matter and indicated he would take a fresh look at expanding the existing agreement.

### **11. Remarks of the Secretary of Transportation, Norman Mineta**

Remarks of the Secretary of Transportation, Norman Mineta at the Canadian Open Skies Forum indicated that the current 'open skies agreement' between Canada and the US has a couple of major barriers: a. It denies fifth freedom rights; and b. It limits multi-city cargo deliveries. He indicates that this situation needs to change if Canada is to catch up to the open skies agreement the US has with 67 other countries around the world.

14. Transport Canada to Bolster Aviation Safety Management Systems, March 4, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
15. The Safest Ever for Air Transport, March 7, 2005 ([www.iata.org](http://www.iata.org)).
16. Europe seeks right to own U.S. airlines, *National Post*, March 5, 2005, p. FP7.
17. EU push for open skies, March 15, 2005 ([www.joc.com](http://www.joc.com)).
18. Joint Statement on US.-EU Transportation Discussions, March 22, 2005 ([www.dot.gov](http://www.dot.gov)).
19. Opposition ramps up rent issue, *National Post*, March 7, 2005, p.FP3.
20. The Next Stage for Canada-U.S., Air Transportation: Open Skies or Beyond, February 2005 ([www.westac.ca](http://www.westac.ca)).
21. ACE Aviation results lag expectations *National Post*, March 10, 2005, p. FP5.
22. Aircraft movement Statistics, October 2004 ([www.statscan.ca](http://www.statscan.ca)).
23. Understanding Each Other Challenging Times Require Industry Cooperation, March 11, 2005 ([www.iata.org](http://www.iata.org)).
24. Proposed regulations for business aviation, March 14, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
25. Transat flies into the red during first quarter / Transat's chief sees big gains from Jetsgo's departure / *Globe and Mail*, March 17, 2005, p. B14/ *National Post*, March 17, 2005, p. FP4.

## 12. Air Canada expands online ticket service to include international flights

Air Canada is expanding online ticket service to include international flights. From March 4, 2005, passengers flying to the United States or overseas can check-in and print their boarding passes from their home computers using Air Canada's Website.

## 13. Airlines filling more seats

Air Canada and WestJet flew more passengers in February 2005 than in February 2004. The load factors of the two were 77.9% and 72.9% for February 2005 compared to 72.6% and 67.4% in February 2004. Air Canada recorded increase in load factors for the 11th consecutive month. It also reduced capacity by 5.2% across its network. WestJet increased capacity by 29% in February 2005. The carriers have also reduced their lowest advertised fares on key routes in which they compete.

## 14. Transport Canada to Bolster Aviation Safety Management Systems

Transport Minister announced proposals to further improve the safety performance of Canadian air operators and to increase accountability. The proposed changes would require air operators to implement safety management systems in their organizations, which could lead to the early identification and resolution of potential problems and safety risks. The Minister said that the proposed amendments '...will enhance our aviation system by further promoting a "safety first" attitude throughout the industry.'

## 15. The Safest Ever for Air Transport

Director General of IATA said that 2004 was the safest year ever for air transport despite the accumulated loss of \$35 billion since 2001. Further, the industry continues to invest in the number one priority with fantastic results. While global traffic increased 15% the number of accidents increased 4%. The number of deaths in 2004 were 428 similar to the number in 1945, however, 1.8 billion passengers travelled safely in 2004 compared to 9 million in 1945.

## 16. Europe seeks right to own U.S. airlines

US and Europe officials plan to meet later this year on the 'open skies' talks. The European Commissioner and Transportation Secretary, Norman Mineta are scheduled to meet on March 21 and 22, 2005 in Washington. Previously, the talks faltered on the issue of cabotage. Now the emphasis is on ownership. While the US has raised the limits on owning voting stock to 49% from 25%, EU officials indicated that this is not enough. They indicated that there are tangible benefits to getting rid of these investment restrictions.

## 17. EU push for open skies

The EU is expected to press Washington during the week of March 21<sup>st</sup> to open up the trans-Atlantic air cargo market as a first step towards its long-standing goal of creating a single EU-US aviation market. In an attempt to reach an accord,

negotiations will first proceed on air cargo and later on passenger traffic because the former is smaller than the latter and because there is broader consensus regarding opening the air cargo market.

## 18. Joint Statement on US.-EU Transportation Discussions

The US Secretary of Transportation and the EU Commission Vice-President met on March 22, 2005 to discuss a range of transport issues. They agreed on the importance of continuing to develop US-EU cooperation in the transportation sector. Regarding the air sector, they will continue their efforts to work towards a 'comprehensive aviation accord that will expand opportunities not only for airlines, but also for airports, tourism, business links and cargo transport'.

## 19. Opposition ramps up rent issue

A number of options are being considered to force the government to change its position on freezing or reducing rents. Two of these options are: tabling an amendment to the budget; and calling the Minister of Finance to testify before the Standing Committee. The Air liberalization hearings began in Halifax on March 10, 2005.

26. Air Deregulation, *National Post*, March 17, 2005, p. FP19.

27. Aircraft movement statistics, March 21, 2005 ([www.statscan.ca](http://www.statscan.ca)).

28. Air Canada signs deal for cargo freighter to boost cargo service to Asian market, March 18, 2005 ([www.cfl.ca](http://www.cfl.ca)).

29. NAVCANADA threatened to pull plug on Jetsgo, *National Post*, March 19, 2005, p. FP4.

30. Air Canada warns of industry turbulence, *Globe and Mail*, March 21, 2005, p. B3.

31. ACE revs up spinoffs plans, March 21, 2005 ([www.globeandmail.com](http://www.globeandmail.com)).

32. El AL may drop Canada if fees increase further, *National Post*, March 23, 2005, p. FP1.

33. Amendments to the *Canada Transportation Act* tabled in Parliament, March 24, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).

34. Ottawa dangles rent cut for airports, *Globe and Mail*, March 28, 2005, pp. B1/B4.

35. Airline consumer fund eyed by Ottawa, *Globe and Mail*, March 29, 2005, p. B4.

### U.S./EU

1. BTS Releases Transportation Services Index (TSI); Index Fell 0.2 Percent in December from November, March 7, 2005 ([www.dot.gov](http://www.dot.gov)).

2. Fuel charges hit air cargo, March 11, 2005 ([www.joc.com](http://www.joc.com)).

3. The 5.9 billion Euro question - IATA challenges the EC to do better on aviation policy, March 16, 2005 ([www.iata.org](http://www.iata.org)).

4. Lufthansa, Swiss seal the deal, *Globe and Mail*, March 23, 2005, p. B9.

## **20. The Next Stage for Canada-U.S.**

This paper by C.A.C. covers a number of interesting topics: 1. The importance of Transborder Air Transportation; 2. Air Services Agreements - Primer; 3. The Evolution of the Canada-U.S. Air Service; 4. The Current Canada-U.S. Air Service Agreement; 5. The Next Steps; 6. What is 'Open Skies'; 7. Why the 1995 agreement is not considered 'Open Skies' by the U.S.; 8. Current Issues Facing Canada and the U.S.; 9. A North American Common Aviation Market. Topic 8 covers: fifth freedom rights; cargo seventh freedom rights; and cargo-terminalization. Other issues likely to come up in conjunction with the above are: modified sixth freedom rights; right of establishment; and cabotage.

## **21. ACE Aviation results lag expectations**

Air Canada's results are not as impressive as was expected. High fuel prices and competition has been attributed for this result. ACE Aviation the holding company for Air Canada indicated that Air Canada had a operating loss of \$3 million for the last quarter.

## **22. Aircraft movement Statistics**

Canadian airports (42) with NAV CANADA air traffic control towers reported an increase in take-offs and landings of 0.6% to 352, 016 for November 2004 compared to 350, 045 for November 2003. Toronto's Pearson airport was the most active of the airports.

## **23. Understanding Each Other Challenging Times Require Industry Cooperation**

G. Bisignani, CEO of IATA, said that more people than ever are flying - 1.8 billion in 2004. "We need to become a low cost industry. Our partners and governments must understand this and do their share. ... Simplifying the business rests on five core projects designed to improve service while cutting costs: 100% e-ticketing globally by the end of 2007; bar coded boarding passes; radio frequency identification for baggage management; common use of self service kiosks for check-in; paperless cargo."

## **24. Proposed regulations for business aviation**

Transport Canada announced proposed amendments to the *Canadian Aviation Regulations* that would allow the Canadian Business Aviation Association to establish a new approach to safety oversight for private operators of business aircraft. This operation is non-fare and is not offered to the Canadian public. Transport Canada would still retain regulatory responsibility and operators would be required to meet regulations and standards.

## **25. Transat flies into the red during first quarter / Transat's chief sees big gains from Jetsgo's departure**

Transat A.T. Inc. which owns charter airline Air Transat lost \$1.8 million in the first quarter of 2005. Transat A.T. Inc. is the country's largest seller of vacation packages and owner of Canada's biggest charter airline. Transat Airlines will not benefit in the domestic market from Jetsgo's demise, however, in the Canada-Florida market it will benefit as Jetsgo offered service in competition with it.

## **26. Air Deregulation**

This article proposes that the move towards further liberalization should be gradual, reasonably cautious and determined. Increased liberalization is evident on two major fronts: U.S. led open skies policy; and regional liberalization initiatives. Should we begin pursuing total market integration within North America, within NAFTA or should we begin pursuing the Agreement with the EU (i.e., the EU-US negotiation)? A NAFTA approach might be much more demanding, however a staged approach could be set up. The first step might be to raise foreign ownership limit to 49% in all countries; another initial step could be to introduce tag on cabotage; and another step could be modified 6<sup>th</sup> freedoms (i.e., Boston-Toronto-Seattle). In negotiating an agreement with the EU, Canadian airlines might have more to gain. Providing the grant is reciprocal, Canada should agree to the right of establishment and should gradually extend ownership limits to 100%. This could give Canada a first mover advantage over the U.S. Canada could also propose a similar agreement with the US and Mexico.

## **27. Aircraft movement statistics**

The 42 Canadian airports with NAV CANADA air traffic control towers reported 317,345 aircraft take-offs and landings in February 2005 down 7.4% compared to February 2004.

## **28. Air Canada signs deal for cargo freighter to boost cargo service to Asian market**

Air Canada is planning to expand its air cargo freighter services to China in May 2005 subject to governmental approval. It began its new dedicated freighter service within Canada (i.e., Toronto-Calgary-Vancouver - four times a week) and to Europe (i.e., Frankfurt - five times a week) in late 2004. It also plans dedicated all-freight service on key routes to Asia.

## **29. NAVCANADA threatened to pull plug on Jetsgo**

NavCanada threatened to shut down Jetsgo because of its poor payment history. They were growing concerns about Jetsgo as a credit risk and that NavCanada did not have access to its financial information which Jetsgo refused to supply. It indicated that Jetsgo had exceeded its credit limit of \$4 million for the past six months. It made some immediate demands as its debt increased and that it threatened to deny Jetsgo its services, essentially grounding it and later threatening to seize its aircraft. NavCanada says that Jetsgo still owes it \$1.6 million and various suppliers \$64 million.

### **30. Air Canada warns of industry turbulence**

ACE Aviation Holdings Inc., parent of Air Canada, indicates that increased competition (from US airlines and low cost Canadian carriers), high fuel prices and debt may hurt the company's profitability. However, it expects improved operating and financial performance for the balance of 2005 as a result of its cost-reduction measures.

### **31. ACE revs up spinoffs plans**

A \$600-million financing plan was announced by Air Canada's parent company, ACE Aviation Holdings Inc. ACE will issue \$350 million in shares and \$250 million in convertible debt. It will allow the airline to spinoff its popular Aeroplan loyalty program. Aeroplan has six million members and has an estimated value of \$2 billion. Proceeds from the share capital will be used to pay off a \$540 million secured loan from GE Capital Corp. Paying of the loan will free ACE from a number of restrictions.

### **32. EL AL may drop Canada if fees increase further**

Israel's national airlines, EL AL, indicated that it may remove Canada from its list of 50 global destinations unless something is done to stop the skyrocketing airport fees. Rising airport rents are among the questions being examined by the House of Commons Standing Committee on Transport. The Greater Toronto Airport Authority promised to pass any savings from reduced or eliminated airport rents to airlines to stimulate travel and economic growth.

### **33. Amendments to the *Canada Transportation Act* tabled in Parliament**

On March 24, 2005, Transport Minister, Jean-C. Lapierre tabled amendments to the *Canada Transportation Act* in the House of Commons. The proposed amendments were on: A new national transportation policy; New provisions for international bridges and tunnels; Clarity in airfare advertising; Air travel complaints commissioner to be integrated with the Canadian Transportation Agency; Railway noise complaints; Shipper protections in rail; Improved framework for passenger rail services; Transportation mergers and acquisitions; Transportation data and reporting requirement; and VIA Rail legislation.

### **34. Ottawa dangles rent cut for airports**

The Globe and Mail reports that the federal government is preparing to offer rent cuts to Canada's airport for seats on their boards for airlines. Transport Minister indicated that he would like to make Canada's airports more transparent and accountable and that guaranteeing airline representation on the boards is a step in the right direction. They should not be able to raise fees without more consulting. However, he has not yet convinced the Finance Minister to take action. Transport Minister is planning to introduce legislation in June 2005.

### **35. Airline consumer fund eyed by Ottawa**

The federal government is considering a new layer of protection that would protect air passengers when an airline goes bankrupt. The matter is on the next federal-provincial conference agenda on consumer affairs in Quebec City. The Consumer Association of Canada wants Ottawa to take some action but Transport Minister emphasized that he does not want to create more solutions if one is not needed.

## WATER TRANSPORTATION

### 1. Security plan could shut Port of Vancouver

Delays at the Port of Vancouver caused by the members of the International Longshore and Warehouse Union could result later this year. This is because Transport Canada plans to launch its Marine Facilities Restricted Area Access Clearance Program by the end of the year. The security program will investigate not only the applicant but spouses, parents, history of foreign travel, certain schools, job history, criminal, credit and immigration records. It would also provide for sharing of personal information with foreign intelligence agencies.

### 2. Canadian ports get investment OK

Canada is planning to open up its ports to private investment and public grants which were not previously possible. Transport Minister is proposing investment legislation this coming spring. The Minister said "We want to help the Port of Vancouver and that area to compete for that trade [China and Asia], and very much to support the potential for containers at Prince Rupert." Under the present *Canada Marine Act* port investment in infrastructure is constrained because it forbids public financial grants, subsidies and limits borrowing powers of ports. The Minister also indicated that the federal government is ready to respond to requests for C\$ 40 million to complete financing for new container handling capacity at the Port of Prince Rupert.

### 3. Vancouver cuts free storage

The backlog of containers at Vancouver's Deltaport has been cut in half and TSI Terminal Systems indicated that the jam will be cleared entirely by the end of March. The backlog has now fallen to 2,500. TSI is also reducing free container storage at its Deltaport and Vanterm terminals to 5 working days from 14 following complete unloading of a vessel for both import and export cargo.

### 4. Tacoma exec urges caution

The fundamental theme right now is on growth according to a port commissioner. He indicated that the ports of Tacoma and Seattle have record increases in volumes in the first quarter. The record growth in Southern California is creating a huge challenge. In 2004, record eastbound shipments, dockside labour shortages and rail congestion led to severe congestion in Southern California. At some

point in time one may have to look at the period following the Asia trade boom.

### 5. Marine security projects announced

On March 15, 2005, Transport Minister announced new funding projects to enhance security. These projects will not only enhance marine security but will also improve safety and efficiency according to the Minister. The three-year \$115 million program was announced in May 2004. The first round will provide \$23.6 million to 69 ports and marine facilities across the country. Ports and marine facilities will be able to apply for a second round of funding starting in April 2005.

### 6. Government of Canada announces new financial agreement with Northumberland Ferries

An agreement has been reached in principle between government officials and Northumberland Ferries Ltd. The Agreement will provide the company with \$5 m. in 2005, \$5.1 m in 2006-7 and \$5.2 m in each subsequent year. The company has been operating a ferry service between Wood Islands, PEI and Caribou, NS since 1941.

### 7. Seaway cuts some charges / St. Lawrence Seaway reopens for business

On March 23, 2005, the St. Lawrence Seaway Corp. raised ship charges by 1.72 percent for 13 of the St. Lawrence Seaway's 15 locks but cut other charges in a bid to attract new customers to the binational waterways. Canada uses tolls to finance its part of the Seaway whereas the United States eliminated tolls 20 years ago. The United States may once again reintroduce tolls under a proposal by the Bush Administration. Seaway traffic increased 6.5 percent in 2004 and is expected to be more in 2005 than in 2004. The Seaway will open on March 25, 2005.

### *Current Developments in Brief*

#### **Water Transportation**

##### CANADA

1. Security plan could shut Port of Vancouver, March 2, 2005 ([www.joc.com](http://www.joc.com)).
2. Canadian ports get investment OK, March 8, 2005 ([www.joc.com](http://www.joc.com)).
3. Vancouver cuts free storage, March 14, 2005 ([www.joc.com](http://www.joc.com)).
4. Tacoma exec urges caution, March 15, 2005 ([www.joc.com](http://www.joc.com)).
5. Marine security projects announced, March 15, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
6. Government of Canada announces new financial agreement with Northumberland ferries, March 22, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
7. Seaway cuts some charges, March 23, 2005 ([www.joc.com](http://www.joc.com)) / St. Lawrence Seaway reopens for business, March 23, 2005 ([www.ctl.ca](http://www.ctl.ca)).

##### U.S./EU

1. Shippers look for post-OSRA leverage, March 1, 2005 ([www.joc.com](http://www.joc.com)).
2. Big ships mean big shakeups for ports, railroads, March 1, 2005 ([www.joc.com](http://www.joc.com)).
3. Worries about LA congestion, March 11, 2005 ([www.joc.com](http://www.joc.com)).
4. West Coast import traffic soars, March 17, 2005 ([www.joc.com](http://www.joc.com)).
5. NY/NJ boxes up 10%, March 17, 2005 ([www.joc.com](http://www.joc.com)).
6. NY/NJ terminals cut free time, March 23, 2005 ([www.joc.com](http://www.joc.com)).

## RAIL TRANSPORTATION

### 1. CN and Ontario Northland sign routing protocol for Ontario and Quebec rail traffic

CN and Ontario Northland signed a two-year agreement to expedite the transportation of freight between northeastern Ontario and northwestern Quebec. The haulage agreement between North Bay, Ontario and Noranda, Quebec and Noranda and Hearst, Ontario will cut 840 miles (i.e., 220 and 620) off previous routings. A senior vice-president said this agreement is a winning proposition: for the two railways reducing costs and improving network fluidity; and for rail customers.

### 2. USWA [United Steelworkers of America] members at CN ratify new labour agreement

CN announced that they have ratified a new four-year contract with the USWA. The USWA represents approximately 2,250 employees who maintain and repair CN's track, bridges and structures in Canada.

### 3. U.S., Canadian rail traffic rolls

In the second last week of February, U.S. and Canadian railroad traffic began to recover from its initial slowdown at the start of 2005. The former's carload increased by 4.9% and the latter's carload increased 6.4%. For intermodal loads the increase was 22.8% and 7.8%, respectively.

### 4. Monthly railway carloadings

Canadian railways loaded 275 million metric tonnes in 2004, 14 million metric tonnes more than they did in 2003. Shipments of wheat and cereal grains increased from 17.8 million tonnes in 2003 to 22.6 million tonnes in 2004. Intermodal freight rose to 26.6 million metric tonnes or 1.5%. Non-intermodal freight rose to 248.7 million metric tonnes or 5.6%. On a monthly basis, for December 2004 there was a general decline compared to November 2004.

### 5. Canadian railroads speed ahead of U.S. rivals in the first quarter, but shippers want more

In 2005, CN and CP are outpacing the US railroads in average train speed, terminal dwell time and cars on line (measures of operational efficiency) according to the Association of American Railroads. However, shippers say that they are not seeing any significant improvements in car supply or on-time delivery. A spokesman for the Canadian Association of Importers and Exporters says CP is more flexible to deal with. CN says that some of the service problems that customers are witnessing are seasonal issues and that they have become less flexible on the intermodal side. In fairness to the railways, the president of the Canadian Industrial Transportation Association says that carriers are doing things that make a difference such as co-production agreements but have to do more to clear up congestion.

### 6. Transport Canada and Farmer Rail Car Coalition to begin negotiations on hopper car transfer / Ottawa to sell railcar fleet to coalition of farm groups

The Transport Minister and Finance Minister announced that the government will open negotiations with the Farmer Rail Car Coalition (a non-profit organization) concerning the possible transfer of the federal railway hopper car fleet to the coalition. There are 12,400 railway hopper cars in the government's fleet used by CNR and CP to move

## Current Developments in Brief

### Rail Transportation

#### CANADA

1. CN and Ontario Northland sign routing protocol for Ontario and Quebec rail traffic, February 25 2005 ([www.cn.ca](http://www.cn.ca)).
2. USWA members at CN ratify new labour agreement, February 28, 2005 ([www.cn.ca](http://www.cn.ca)).
3. U.S., Canadian rail traffic rolls, March 1, 2005 ([www.joc.com](http://www.joc.com)).
4. Railway Carloadings, *The Daily*, March 3, 2005 ([www.statcan.ca](http://www.statcan.ca)).
5. Canadian railroads speed ahead of U.S. rivals in the first quarter, but shippers want more, the *Journal of Commerce*, March 7, 2005, p. 34.
6. Transport Canada and Farmer Rail Car Coalition to begin negotiations on hopper car transfer / Ottawa to sell railcar fleet to coalition of farm groups, March 10, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)) / *National Post*, p. FP4.
7. CN promotes Ed Harris to executive vice-president, operations, March 10, 2005 ([www.cn.ca](http://www.cn.ca)).
8. Canadian Pacific to acquire first hybrid locomotives / CPR goes green with RailPower's goats / March 14, 2005 ([www.cpr.ca](http://www.cpr.ca)) / *Globe and Mail*, March 15, 2005, p. B3.
9. CN says Canadian labour board issues decision on essential services, March 14, 2005 ([www.cn.ca](http://www.cn.ca)).
10. CN and TCRC agree to delay right to issue strike/lockout notices until mid-May in hopes of reaching settlement, March 15, 05 ([www.cn.ca](http://www.cn.ca)).
11. Canada RRs want U.S. import traffic, March 18, '05 ([www.joc.com](http://www.joc.com)).
12. Track maintenance employees ratify contract with Canadian Pacific Railway, March 21, 2005 ([www.cpr.ca](http://www.cpr.ca)).
13. Railway carloadings, *The Daily*, March 22, 2005 ([www.statcan.ca](http://www.statcan.ca)).
14. CN reaches tentative labour agreement with International Brotherhood of electrical Workers [IBEW] - labour disruption avoided, March 25, 2002 ([www.cn.ca](http://www.cn.ca)).
15. CN and Norfolk Southern announce routing protocol to streamline interchange traffic, March 28, 2005 ([www.cn.ca](http://www.cn.ca)).
16. CP Rail to examine Transportation Act amendments, *National Post*, Tuesday, March 29, 2005, p. FP4.

#### U.S./EU

1. STB hearing on stand-alone cost procedures, Mar 1, 05 ([www.joc.com](http://www.joc.com)).
2. Union Pacific looks set to catch up to its peers, *National Post*, March 15, 2005, p. FP11.

a vice-president with Illinois Central in 1998. In 1999, Illinois Central was acquired by CN and he became CN's chief transportation officer in 2001.

#### **8. Canadian Pacific Railway [CPR] to acquire first hybrid locomotives/CPR goes green with RailPower's goats**

CPR announced the purchase of 35 Green Goat Series hybrid locomotives (the green goat locomotives are powered by batteries, significantly quieter than diesel locomotives and meets the US Environmental Protection Agency's Tier 2 standards) over a four-year period from RailPower Technologies Corp. of Vancouver. Seven of CPR's yard locomotives will also be converted in 2005 to low emission, quiet hybrid locomotives using hybrid technology.

#### **9. CN says Canadian labour board issues decision on essential services**

The Canada Industrial Relations Board (CIRB) has issued a decision responding to the Federal Labour Minister's referral regarding maintenance of essential services at CN in Canada. As a result, the two unions with whom CN is bargaining can avail themselves of the right to strike or lock-out if 72 hours notice is given. CN said that it hopes to secure new agreements and will maintain freight operations in the event of a strike or lock-out.

#### **10. CN and TCRC agree to delay right to issue strike/lockout notices until mid-may in hopes of reaching settlement**

On March 15, 2005, CN and the Teamsters Canada Rail Conference (TCRC) signed an agreement extending the date on which either party can issue a 72 hour strike or lockout notice to May 12, 2005. The TCRC represents 1,750 locomotive engineers at CN. The two parties are serious and optimistic of resolving the issues.

#### **11. Canada RRs [railways] want U.S. import traffic**

Canadian National Railways and Canadian Pacific Railways have opened up offices in China in an attempt to provide alternative routes to importers using the Southern California gateway to avoid growing congestion. This will not only promote shorter distances but U.S. destined imports moving through Canada will not be subject to additional duties and will have to pay lower port and other fees.

#### **12. Track maintenance employees ratify contract with Canadian Pacific Railway**

Canadian Pacific Railway announced that it ratified a three year collective agreement with track maintenance employees. The agreement covers approximately 2,500 employees and extends to the end of 2006.

#### **13. Railway carloadings**

Railway loadings fell 5.5% to 21.8 million metric tonnes in January following a 7.0% decline in December 2004. Non-intermodal loadings fell 5.8% from December 2004 to 19.7 million tonnes. Intermodal loadings fell 1.2% from December 2004 to 2.1 million tonnes.

#### **14. CN reaches tentative labour agreement with International Brotherhood of Electrical Workers [IBEW] - labour disruption avoided**

CN and IBEW signed a tentative labour contract covering 644 union members. As a result, there will be no labour disruption.

#### **15. CN and Norfolk Southern [NS] announce routing protocol to streamline interchange traffic**

Under a routing protocol CN and NS will direct rail traffic through the most efficient interchange locations. The objective is to improve network capacity, transit times and asset utilization for through rail car movements. The protocol or agreement will be implemented over the next three months.

#### **16. CP Rail to examine Transportation Act amendments**

CP Rail says it will look closely at the amendments and that it will not spend a planned \$500 million on infrastructure investment if tracks are to be shared. This has upset some shipping groups in Western Canada. The chairman of the Western Canadian Shippers Coalition argues that the railways enjoy a monopoly in many parts of Canada giving them the ability to charge whatever rates they want. CN has also come up against any laws that compel it to open up its network to other railways.

## HIGHWAY TRANSPORTATION

### 1. UPS celebrates 30 years in Canada

On February 28, 2005, UPS celebrated three decades of serving the Canadian market. It began with a single delivery cab serving downtown Toronto. Today, UPS Canada employs over 7,400 people in 54 facilities serving Canada, US and more than 200 countries. In 1987, it began its domestic air service to and from Canada and the US; and in 1998, UPS Canada opened a 47,800 square foot UPS International Air Gateway at Hamilton; and in 2002 it began its Internet shipping.

### 2. Anti-theft immobilizing systems to become mandatory for new cars

Transport Minister announced that anti-theft immobilizing systems will be mandatory in all new cars. The systems will assist in preventing the unauthorized use of vehicles by preventing its engine from starting. The Amendments to the *Motor Vehicle Safety Regulations* will come into effect on September 1, 2007.

### 3. More Funding for National Safety Code

A transport Canada official on behalf of the Minister announced a funding of \$17.6 million to help the provinces and territories continue to implement the National Safety Code (NFC). This funding is expected to continue the effort to achieve a reduction in road fatalities and serious injuries by 2010. The NFC encourages truck safety and promotes efficiency in the motor carrier industry.

### 4. Small for-hire motor carriers of freight and owner operators

The average revenue of small for-hire carriers (i.e., with revenue less than \$1million) fell to \$258,000 in 2002 by 3%. Average operating expenses increased to \$254,000 by 1%. In contrast, owner operator revenue increased to \$200,000 by 9% and average operating expenses increased to \$187,000 by 13%. The small for-hire carriers earned revenue from hauling general freight (32%), specialized freight (23%) and dry bulk materials (21%).

### 5. For-hire motor carriers of freight, top carriers

The top 80 for-hire motor carriers of freight (earnings of \$25 million or more) generated operating revenue of \$2.14 billion and expenses of \$1.98 billion in the

fourth quarter of 2004. Average per-carrier revenue increased 26% in 2004 from the fourth quarter of 2003. Operating ratio improved to 0.93 from 0.95 for the fourth quarter of 2004.

**6. Large urban transit**Ridership in 10 large urban transit systems in Canada was 1% lower in January 2005 compared to January 2004. These 10 systems account for about 80% of total urban transit in Canada. Approximately 106.9 million passengers took trips. The trips generated \$157.7 million for this period down 1% from the earlier period.

### 7. Canadian passenger bus and urban transit industries

Statistics Canada reported an increase in the use of urban transit systems. In 2003, there were an estimated 1.66 billion passenger trips (urban transit, school bus, scheduled intercity, charter and shuttle) compared to 1.63 billion trips in 2002. Total revenue amounted to \$7.35 billion in 2003 up 7.9%. Total expenditures amounted to \$6.45 billion up 3.8%. Net income jumped to \$898.6 m. most of which was attributable to higher capital subsidies and declining interest payments.

### 8. Canada and Ontario reducing congestion at Niagara Border

Officials of Transport Canada and the Ontario Ministry of Transportation announced that they are improving a major Niagara border crossing by building a fifth lane on the Queenston-Lewiston Bridge. The estimated costs of \$34 million will be shared equally by both governments and the Niagara Falls Bridge Commission. This will help reduce congestion on a major trade corridor.

### 9. Governments of Canada and Ontario launch public consultations for increasing capacity at Windsor-Detroit gateway

Transport Minister and Ontario Transportation Minister Announced that community outreach events will be launched next week as part of the bi-national environmental partnership assessment study process for new crossing capacity at the Windsor-Detroit Gateway. The governments in Canada, U.S., Ontario and Michigan through this partnership will implement a 30-year five-phase transportation strategy to address various challenges including free and secure trade,

## *Current Developments in Brief*

### Highway Transportation

#### CANADA

1. UPS celebrates 30 years in Canada, March 2, 2005, ([www.ctl.ca](http://www.ctl.ca)).
2. Anti-theft immobilizing systems to become mandatory for new cars, March 9, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
3. More Funding for National Safety Code, March 11, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
4. Small for-hire motor carriers of freight and owner operators, *The Daily*, March 14, 2005 ([www.statcan.ca](http://www.statcan.ca)).
5. For-hire motor carriers of freight, top carriers, *The Daily*, March 16, 2005 ([www.statcan.ca](http://www.statcan.ca)).
6. Large urban transit, *The Daily*, March 14, 2005 ([www.statcan.ca](http://www.statcan.ca)).
7. Canadian passenger bus and urban transit industries, *The Daily*, March 16, 2005 ([www.statcan.ca](http://www.statcan.ca)).
8. Canada and Ontario reducing congestion at Niagara Border, March 18, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).
9. Governments of Canada and Ontario launch public consultations for increasing capacity at Windsor-Detroit gateway, March 18, 2005 ([www.tc.gc.ca](http://www.tc.gc.ca)).

#### U.S./EU

1. Yellow Roadway to acquire USF for \$1.37B, March 1, 2005 ([www.joc.com](http://www.joc.com)).
2. House passes highway bill, March 10, 2005 ([www.joc.com](http://www.joc.com)).

security, environmental concerns and community impacts.

## ENVIRONMENT

### 1. Kyoto costs ballooning, cabinet ministers warned

Senior federal cabinet ministers warned that the costs of meeting the Kyoto Accord could exceed \$10 billion. This is twice what the government has budgeted for in last months budget. Ottawa has also been advised that it should raise the emission cuts necessary to meet Canada's Kyoto targets to between 270 and 300 megatonnes from earlier forecasts of 240 megatonnes. Plans are also being made for mandatory regulations forcing large emitters to cut greenhouse gas emissions or face fines of up to \$200 a tonne if they fail to meet their target.

### 2. Liberals to use anti-pollution law to regulate gas emissions

The government says it will impose federal regulations to cut greenhouse gases to meet its commitments under the Kyoto Protocol. Though the Environment Minister says that it will invoke *Canadian Environmental Protection Act* there is some question whether the other political parties would agree. The targets will be communicated and these targets will not be for negotiation.

### 3. Environmental responsibility is a pillar of the air transport industry

At the first Aviation and Environmental Summit in Geneva on March 17 and 18, 2005, IATA's CEO said that environmental responsibility is a pillar of the air transport industry and that the air transport industry should be proud of its record. Aircraft have reduced fuel efficiency equivalent to a small compact car but offering six times the speed. Emissions per passenger have been reduced by 70% and aircraft noise by 75% in the last 40 years. However, much more needs to be done such as saving time per flight, and eliminating delays.

### 4. Tories threaten to force election/Sparring officials to delay Kyoto proposals/Ottawa's Kyoto plan under fire on all sides

Conservative opposition leader said that a controversial environmental provision (bringing green house gas emissions under the Canadian Environmental Protection Act i.e., CEPA) must be removed from a budget implementation bill or the country will have to go to the polls. This provision was introduced into a Bill that was introduced into the House on March 24, 2005. Environmental Minister's effort to have a \$10 billion Kyoto implementation plan in place by April 4 is in jeopardy because of a battle between his officials and those in the Natural Resources Canada (NRC) over the effectiveness of proposals to cut greenhouse gases. Analysts for NRC officials say the country can only achieve reductions of about 131 megatonnes short of the 270 required under the Kyoto plan. They also indicate that they have underestimated the costs of the new measures. On March 28, 2005, eight environmental groups issued a joint statement saying the provision which would allow Ottawa to regulate green house gas emission under CEPA is creating an unnecessary and divisive debate. The groups expressed concern that the amendment was being introduced without any debate and that it will undermine the five-year review of the Act that is currently underway.

## GENERAL TRANSPORTATION

### 1. Manitoba announces transportation infrastructure enhancements

Manitoba Transport Minister, Ron Lemieux, said the province will aggressively enhance its transportation structure in 2005. Key projects include: 1. \$5 million to upgrading the northeast perimeter Highway to four lanes from PTH59 to 1East; 2. \$2.3 million for a bridge to span the CPR tracks; 3. Twinning of the Trans-Canada Highway from Virden west to the Saskatchewan border (funding from Strategic Highways Infrastructure program); 4. \$3.4 million investment in existing intersections along the Trans-Canada Highway; and 5. \$25 million (three year project) to

complete the expansion of PTH 59 to four lanes from Winnipeg south to Iles des Chenes will continue.

### Current Developments in Brief

#### Environment

##### CANADA

1. Kyoto costs ballooning, cabinet ministers warned, *the Globe and Mail*, March 14, 2005, pp. A1-4.
2. Liberals to use anti-pollution law to regulate gas emissions, *the Globe and Mail*, March 17, 2005.
3. Environmental responsibility is a pillar of the air transport industry, March 18, 2005 ([www.iata.org](http://www.iata.org)).
4. Tories threaten to force election, *Globe and Mail*, March 25, 2005, pp. A1/A4. Sparring officials to delay Kyoto proposals, *Globe and Mail*, March 26, 2005, pp. A/A7. Ottawa's Kyoto plan under fire on all sides, *Globe and Mail*, March 29, 2005, pp. A1/A4.

### Current Developments in Brief

#### General Transportation

##### CANADA

1. Manitoba announces transportation infrastructure enhancements, March 4, 2005 ([www.ctl.ca](http://www.ctl.ca)).
2. Transport Minister Visits Israel, Mar 14, 05 ([www.tc.gc.ca](http://www.tc.gc.ca)).
3. Budget 2005 Its effects on Aviation and Air Industry, March 2005 ([www.atac.ca](http://www.atac.ca)).
4. Border security on summit agenda, *Globe and Mail*, March 23, 2005, p. A4.
5. CPB [Customs and Border Protection] publishes new, stricter C-TPAT guidelines, March 29, 2005 ([www.ctl.ca](http://www.ctl.ca))

## 2. Transport Minister Visits Israel

Transport Minister arrived in Israel on March 14, 2005 to discuss approaches to transportation security and technology. He will also travel to Ramallah to meet with Palestinian officials to discuss similar subjects.

## 3. Budget 2005 Its effects on Aviation and Air Industry

a. Air travellers security charge was reduced the third consecutive time (Domestic: To \$5 from \$6; Transborder: To \$8.50 from \$10; International: To \$17 from \$20); b. \$16 million was to be spent over the next 5 years for the assessment and development of systems to collect information about air travellers for national security purposes; and c. Corporate surtax will be eliminated by 2008 gradually beginning in 2005.

## 4. Border security on summit agenda

Leaders from US, Canada and Mexico met in Texas on March 23 and are expected to work together on developing continent-wide screening processes for incoming airport travellers and cargo. They will also examine how the three countries can share information on 'high risk travellers' and how to co-ordinate emergency response plans should there be a natural or terrorist disaster at the borders.

## 5. CPB [Customs and Border Protection] publishes new, stricter C-TPAT guidelines

The US CPB has released its new security criteria for U.S. importers. C-TPAT will continue to be a voluntary program. However, the US has upgraded the requirements and issued a new set of deadlines for compliance for U.S. importers and their supply chain partners.

### International Events

1. The Future of European Rail, An Industry in Transition: Competition, Co-operation and Cohesion, Adam Smith Institute 10<sup>th</sup> Anniversary Conference Rome, Italy, Feb 28-March 1, 2005.
2. ECMT-MLIT Workshop on Implementing Sustainable Urban Travel Policies in Japan and other Asia-Pacific Countries, Tokyo, Japan, March 2-3, 2005.
3. MetroRail 2005, London, United Kingdom, March 7-8, 2005.
4. Options for Funding Railway Development, Riga, Latvia, April 2005.
5. Public Transport 2020: Making the Connection, Rome Italy, June 5-9, 2005.
6. Roads: Primary Asset of Nations, Management and Operations for the 21<sup>st</sup> Century, June 14-18, 2005.

### Conferences

1. 25<sup>th</sup> Annual New York Air Finance Conference, April 4-5, 2005, New York, USA.
2. 5<sup>th</sup> Global Travel and Tourism Summit, April 8-10, 2005, New Delhi, India.
3. IATA's Airline Insurance and Risk Management 2005, April 12-13, London, U.K.

### Publications

1. **Candid Views** on Canadian Transportation 2005, WESTAC, 2005 ([www.westac.com](http://www.westac.com)).