

Transportation News Digest

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1.0 Introduction

The rainbow that began to emerge in 2009 was real despite some weather setbacks. The economy began on its path to recovery in 2010, and with it the transportation sectors began to fare well. In some subsectors of transportation not only had profitability improved but also capacity utilization. Even a new minister of Transport, Chuck Strahl, was appointed in August 2010 by the Prime Minister to take the place of John Baird. [1]

2.0 Air Transportation

2.1 The State of the Industry - The Airlines

The Airline industry ended 2010 on an upward flight path. Air Canada's load factor, available seat miles and revenue passenger miles increased by 1 point, 7% and 8.3% from the previous year. Air Canada was also recognized for its service. Global Traveler magazine readers voted Air Canada Best Airline in North America, and Business Traveler magazine readers voted Air Canada as the best airline in five categories: Flight Attendants in North America; In-Flight Services; Business Class Service; International Travel in North America; and Airline Web Site. Calin Rovinescu, President and Chief Executive Officer said "These strong results, including an all-time record for the full year 2010, were achieved as we continued to increase utilization of our existing fleet and deploy capacity to pursue strategic opportunities in international markets." [2] WestJet's traffic results were even better with increases in its load factor, revenue passenger miles and available seat miles of 1.2 points; 12.9% and 11.1% from the previous year. WestJet President and CEO, Gregg Saretsky said "We are very pleased to be closing the year with such strong traffic results." [3] Even Porter Airlines Inc. posted impressive traffic results in 2010. The Toronto-based regional carrier's traffic jumped 88 per cent to 589.9 million revenue passenger miles, while its load factor climbed to 54.2 per cent from 47.9 per cent.

These results were reflected in the financial arena as Air Canada's stock in 2010 soared 168% and was listed as one of the ten most profitable stocks of the year. Air Canada made a net profit of \$107 million compared to a loss of \$24 million in 2009. WestJet's stock increased by 16% and its net earnings for 2010 increased 39.3% to \$136.7 million. Even the shares of Transat A.T., Canada's largest tour operator, rose 7 percent after the travel company reported higher profits of \$52.4-million in the fourth-quarter of 2010.

Optimism also grew for the world airlines as at the international level, IATA reported that for the first time in a number of years, that it estimated profit of \$15.1 billion. [4] This was good news for an industry that lost \$51 billion between 2001 and 2009. But margins were pathetic (2.7%) and regional differences in profitability remain significant. More than half the estimated profit came from Asia-Pacific carriers (\$7.7 billion) and about another third (\$5.1 billion) from the US. The power of China is responsible for the largest absolute profit ever for the Asia-Pacific region. But 2011 does not look as bright with profitability expected to decline to \$9.1 billion with an even lower margin of 1.5%. Three factors were cited as responsible for this deteriorating situation: an expected increase in the price of oil, the fall in gross domestic product and overcapacity. The industry is still fragile and consolidation among world airlines is beginning to re-shape the industry.

2.2 Senate Standing Committee on Transport and Communications

In October 2010, the Senate Standing Committee began hearings on Air Transport. To date a number of organizations (ATAC, Transport Canada, Tourism Industry Association of Canada, *etc.*) have made representations to the committee, each with its own twist, on emerging issues related to the Canadian airline industry. Some of the common themes that have emerged to date are briefly mentioned. 1. Airport rents; 2. Taxes - HST, Security Fees (the highest in the world), and Fuel excise taxes. These factors have increased the costs to the airlines, as a result the structure of costs in Canada is onerous relative to what is in place in the United States. This has led to certain problems: a diversion of traffic (a record 2.3 million Canadians flew from U.S terminals), an eroded tourism sector, a fall in the competitiveness of the airline and tourism sectors, and a loss of \$1.1-billion a year in economic output leading to a travel deficit. This has led to accusations such as: ‘Canada treats us as cash cows’; ‘the government takes more than it puts back’; ‘the industry is not being nurtured on behalf of the airlines’; and Canadian airlines lack support from all levels of government. While these accusations deserve careful consideration, the governments are **not** the only cause of the problem that the air industry faces. Canada lacks the fierce competition among smaller airlines that force down fares in the United States and continues to face unresolved long standing issues such as foreign ownership, modified sixth freedom traffic rights for passenger services, full cabotage rights, tag end cabotage traffic rights (8th freedom) and a level playing field. Hopefully, the Senate Standing Committee will come up with recommendations that act as enablers and economic engines to re-vitalize the airline industry, tourist industry and local and regional economies. [5]

2.3 Air Liberalization

Air Liberalization continues but progress is not even. There was progress and setbacks. Progress was made when the Canada-EU Comprehensive Air Transport Agreement was signed and became effective. The agreement allows new services in terms of new routes, capacity, and prices on these flights. Previously, most airlines could only operate flights to destinations if specified in the 19 different air transport agreements. Now they will be able to offer services to or from any point in Canada or the EU. It is considered to be the most liberal agreement signed between Canada and the EU to-date. The EU agreement, however, does not deal with the ownership issue which is still restricted to 25%. It also does not deal with modified sixth freedom traffic rights for passenger services and full cabotage rights and tag end cabotage traffic rights (8th freedom). A major setback in the air liberalization debate was the dispute over extending landing rights between the United Arab Emirates and Canada. It resulted in the eviction of the Canadian Forces from Camp Mirage, a Persian Gulf base that serves as a crucial jump-off point to Afghanistan. The conflict erupted as a result of the refusal by Ottawa to grant new landing rights (in Calgary and Vancouver) to United Arab Emirates (UAE) and to extend its rights in Toronto. To add to the controversy, some foreign carriers jumped into the dispute indicating that they saw Air Emirates as expansion-minded, receiving low-interest aircraft financing and other subsidies. Air Canada was also of the opinion that Air Emirates was aggressively seeking to skim off lucrative international traffic via the UAE. Air Emirates retorted by declaring, “The only thing Dubai is guilty of is providing an environment that actually supports aviation.” It was also reported that two federal ministers, Mr Baird and Mr MacKay, were at odds at the cabinet table about what Canada should do about it. [6]

2.4 Antitrust Issues

The world air cargo conspiracy made progress in two directions in the last half of 2010. First, in the U.S., the Justice Department announced fines to be paid by additional carriers. Delta Air Lines, Polar Air Cargo, China Airlines, and Singapore Airlines were fined \$38m., \$17.4m., \$40m., and \$48m., respectively. [7] In the EU, on November 9, 2010 the Commission imposed fines totalling €799.445 million (\$1.109 billion) on 11 of the 25 carriers named in the original statement of objections of February 15, 2006. The airlines fined were: Air Canada, Air France-KLM, British Airways, Cathay Pacific, Cargolux, Japan Airlines, LAN Chile, Martinair, SAS, Singapore Airlines and Qantas (€1.037m, €310.08m, €104.04m, €57.12m, €79.9m, €35.7m, €8.22m, €29.5m, €70.1675m, €74.8m and €8.88m., respectively). Second, the conspiracy case was expanded to include air forwarders in the EU on February 12, 2010 and in the US on September 30, 2010. In the EU, forwarder Expeditors International of Washington was charged and Swiss logistics operators Panalpina and Kuehne+Nagel were added to the investigation involving possible antitrust violations. In the U.S., the Department of Justice said six international forwarders agreed to pay a total of \$50.3 million in criminal fines after pleading guilty to air cargo price fixing. The largest penalty hit BAX Global followed by Panalpina, Kuehne+Nagel, EGL, Schenker, and Geologistics (\$19.7m., \$11.9m., \$9.9m., \$4.5m., \$3.5m. and \$687,960, respectively). [8] This brings the world wide fines to the carriers and forwarders to more than \$3 billion to date.

2.5 Bills or Regulatory Developments

There were no legislative developments, however, the Canadian Transportation Agency was called on to rule whether allergies to peanuts that were served on flights in the aircraft affect the ability of a person with nut allergies to fly and whether accepting cats in the aircraft cabin constitutes an obstacle to mobility. The Agency also ordered WestJet to boost compensation for lost air luggage. WestJet has traditionally offered less than its competitor, Air Canada, on the grounds that the latter also specifically catered to business travellers. Nevertheless, it is worthwhile noting that the compensation by both carriers is less than that required (\$1,800) under the international airline agreement known as the Montreal Convention. The Canadian Transportation Agency released a compliance report on the status of the *Implementation Guide Regarding Space for Service Dogs*; and the *Implementation Guide Regarding Tactile Row Markers Onboard Large Aircraft*. [9]

3.0 Water Transportation

3.1 The State of the Industry - The Ports

In 2010, movement through the major Canadian ports witnessed a turnaround with double digit increases for most ports and some spectacular increases for some ports. For the Port of Metro Vancouver, the number of containers (TEUs) moving through it increased by 16.8% to 2,514,309 from 2,152,462 in 2009, imports increased by 18% and exports increased by 17%. For the Port of Montreal, the number of containers (TEUs) increased by 6.7% to 1,331,351 from 1,247,690 in 2009, imports increased by 6.9% and exports by 6.5%. For the Port of Halifax, the number of containers (TEUs) increased by 26.3% to 435,461 in 2010 from 344,811 in 2009, imports increased by 31.4% and exports by 22%. For the Port of Prince Rupert, the number of containers (TEUs) increased 29.5% to 343,366 in 2010 from 265,222 in 2009, imports increased by 24.2% and exports by 37%. The Port of Saint John reached its highest ever cargo of 30 million tonnes in

2010 and traffic on the St. Lawrence Seaway increased by 17% in the 2010 season, the best so far in four years [10] The following less impressive results were recorded by the cruise industry for various ports in terms of passenger numbers: for the Port of Metro Vancouver a 35.6% decrease in 2010 compared to 2009; for the Port of Halifax a 14.7% increase; for the Port of Montreal a 3.5% increase; and for the Port of Prince Rupert a 0.4% increase.

The wave of rising water transportation was also recorded in the US. All its top major ports recorded increases and it was reported that the number of boxes increased by 17% in 2010. Even the largest ocean vessels reported that capacity had swelled by 14%. An increase in capacity by carriers usually suggests an increase in existing capacity utilization and an increase in profits for these carriers. These statistics suggest that the world economy is gradually on the mend.

3.2 Repositioning of empty containers

It is estimated that 20 percent of containers on ocean ships are moving empty, as a result of an imbalance in trade. This costs the global logistics community an estimated \$7 billion every year. [11] The problem of imbalances in movement of cargo where the empty carriers carry no cargo back is not new, and economists have attempted to resolve the problem through pricing of headhaul vs backhaul, or by following some triangularization in routing to get more backhaul traffic. These containers not only take up a huge amount of space but are also expensive and are in short supply. One solution that has been offered to the shipping community is to get containers manufactured in such a way that they can be folded or lighter materials used to build them so that the space and weight requirements in transporting them back is reduced. However, the empty containers would still have to be transported back. Another solution to the problem that has been offered is that exporters and importers find ways to reduce the imbalance of trade flows by finding some commodity that can be exported back in the empties before the empties reach the port of departure, e.g. triangulization of empties en route to pick up cargo, filling the empties at another port if the port has an intermediary stop, *etc.* Still another solution could be in the pricing system. Could the price of exports that can be sent in these empties or the cost of transporting exports in these empties be manipulated in such a way as to reduce the imbalance? If the imbalance is being caused by barriers such as trade agreements or preferential tariffs, regulations in the use of containers such as cabotage rules, or restrictions on exports, *etc.* then these barriers should be removed. A combination of the above solutions or other solutions might resolve the problem of repositioning empty containers. More quantitative research is needed to determine how we can create an optimal situation by reducing inefficiency in the global flow of traffic.

3.3 Antitrust Immunity

The debate as to the merits of granting antitrust immunity to ocean carriers has been going on for nearly three decades. The European Community has made real progress in this area in that it has removed the antitrust immunity for open price fixing agreements and plans to remove the antitrust immunity for other types of agreements (i.e., consortia) by 2015. On June 10, 2010, the head of the US House Transportation and Infrastructure Committee called for an end to antitrust immunity for vessel operators in the United States along with a wide range of new restrictions aimed at protecting shippers. He denounced ocean container carrier business practices. A few months later, in September 2010, Rep. James L. Oberstar, D-Minn., introduced legislation that would abolish ocean carriers' ability to meet and discuss rate guidelines in the US. The Shipping

Act of 2010 would ban ocean carrier discussion agreements while preserving carriers' ability to form agreements aimed at improving service, such as vessel sharing agreements. The bill would also give the Federal Maritime Commission more authority to mediate and resolve service contract disputes. Oberstar said in remarks that accompanied the bill. "Eliminating the antitrust immunity ... will increase competition by requiring ocean carriers to compete in the marketplace with the best price and service to get shippers' business. That will benefit the industry as a whole." The bill was supported by shipper groups such as the National Industrial Transportation League, the National Retail Federation, the Agriculture Transportation Coalition and the American Apparel and Footwear but opposed by two Conferences. The bill has yet to be passed. In November 2010, the Federal Maritime Commission began seeking public comments and information to help in its three-year study on the effects of the European Union's repeal of ocean carrier antitrust immunity. [12]

3.4 Ferry Transportation

Ferry transportation subsidization problems have raised questions whether we are moving towards or away from the direction of our policy and philosophy. It has appeared in the news several times in the last six months. Two related items in the news were: 1. Government revitalization of Marine Atlantic Inc. (MAI); and 2. Government extension of ferry services in Eastern Canada. On the first item, Minister Merrifield on July 5, 2010 said "Our government is supporting Canada's economy by investing in Marine Atlantic Inc., which provides a vital transportation link between Newfoundland and Labrador, and Nova Scotia, ... Today's investment [\$521 million] will help Marine Atlantic Inc. renew its fleet and shore facilities, and improve the quality and reliability of its services." MAI will invest a further \$84 million over five years. On the second item, government officials announced an investment to extend ferry services in Eastern Canada on November 29, 2010. The investment will allow for continued ferry services between Saint John, N.B, and Digby, N.S., and between Wood Islands, P.E.I., and Caribou, N.S, to March 31, 2014. It will also support a year-round ferry service between Îles-de-la-Madeleine, Quebec, and Souris, Prince Edward Island, for four years beginning in 2011, which includes support for a two-month extension of service during February and March 2011. Besides this investment and periodic investments (\$5.75 million per year), the Bay of Fundy Transportation Coalition wants this service to be treated similarly to the service provided by Marine Atlantic, a Crown corporation. [13] The federal government has constitutional responsibilities and it appears that in this case they trump policy and philosophy.

3.5 Bills Introduced

Bills and Regulations

The federal government passed a number of regulations in the area of marine safety. First, on May 14, 2010, the Government of Canada announced new regulations (the *Fire and Boat Drills Regulations*) that will enhance safety and better ensure that passengers and crew of vessels, including passenger ferries, understand what to do during emergencies. They require an accurate count of persons on board a vessel, instruction about when to abandon a vessel, how to react safely and efficiently to an onboard emergency, making practice drills more realistic and efficient, etc. These regulations replace the *Boat and Fire Drill and Means of Exit Regulations*. [14]

Second, on May 17, 2010, updated *Small Vessel Regulations* pertaining to new requirements for safety equipment and operational safety practices for small vessels were also

introduced. The updated regulations: reflect best practices for small commercial vessel safety and guided excursions; make the certification process for small non-pleasure vessels simpler and extend it to manufacturers and importers; make compliance easier without compromising safety; and allow 90 days to transfer licences between owners by mail, during which time new owners are permitted to operate their pleasure craft. The regulations also provide for harmonization of standards. [15]

Third, Canada ratified new regulations to improve marine worker safety. Minister of Labour Raitt said, "We are implementing these regulations to protect marine workers and prevent accidents and injuries in their place of work." [16]

Fourth, the coasting trade guidelines pertaining to the *Coasting Trade Act* were revised and replaced the guidelines of 2003. The *Coasting Trade Act* is designed to protect the interests of Canadian vessel operators when dealing with applications to use foreign or non-duty paid ships in Canada. [17]

Finally, new regulations were introduced by the Port of Metro Vancouver. Port Metro Vancouver implemented a new fee of \$300 annually for license plate approvals for entry into the port. The port also announced a lift on the ban of new licenses together with the imposition of a ban on trucks into the port based on age regardless of whether the trucks are legal on BC's roads. [18]

4.0 Rail Transportation

4.1 The State of the Industry - The Railways

In 2010 the railways were back on track. The railways financial performance in 2010 revealed the start of the recovery. For CP, net income for 2010 was C\$ 650.7million compared to C\$550 million in 2009, an 18.3% increase. Its operating ratio was 77.6 in 2010 compared to 81.7 in 2009, a decrease of 4.1 points. For CN, net income for 2010 was C\$2.104 billion compared to C\$1.854 billion in 2009, a 13.5% increase. Its operating ratio was 63.6 in 2010 compared to 66.7 in 2009, a decrease of 3.1 points. For both railways the decrease in operating ratio indicates an improvement in performance. Fred Green, President and CEO of CP said "We continue to see strong demand for rail service across all lines of business. We are ramping up our resources and making long-term investments in our company to meet growing demand, further improve customer service, and achieve our three to five year target of a low 70's operating ratio." [19] Mr Mongeau, CEO of CN said: "CN's strong fourth-quarter performance capped an impressive year. Operational and service excellence throughout 2010 allowed us to post solid operating metrics while handling a sharp rise in workload with improved reliability for our customers." [20]

In the United States, the Association of American Railroads reported that 2010 saw annual total carload traffic on U.S. railroads increase 7.2 percent with 14.8 million total carloads, compared with 13.8 million carloads in 2009. Total annual intermodal traffic in 2010 increased 14.1 percent with 11.3 million total truck trailers and shipping containers, compared with 9.9 million trailers and containers in 2009. The largest American railways reported bumper profits for 2010 and if the economy in the rest of the world continues to pick up, railways both in the US and Canada will prosper.

4.2 Rail Service Review

In September 2009, the Honourable Rob Merrifield, Minister of State (Transport), announced the appointment of a three member panel to conduct Phase II of the rail freight service review. A survey by NRG Research Group found that 62 percent of the shippers said they have "suffered a

serious financial impact as a result of poor rail freight service." Only about 17% of those surveyed said they have a high level of satisfaction in the service they have received from either CN or CP. The Review Panel received several submissions e.g. the Canadian Industrial Transport Association (CITA), the Port of Vancouver, *etc.* In general, shippers have voiced their dissatisfaction together with terminal operators, port operators and shipping lines. Shippers indicate that service is better where there is competition. As a result, shippers have called for penalties but the railways claim they cannot be held accountable for delays in other parts of the supply chain. The chairman of the Coalition of Rail Shippers and president of the CITA wrote to MPs stating their deep disappointment with the "wait and see" recommendation of the Rail Freight Service Review Panel and are instead urging the federal government to act decisively now to address shortcomings in rail service. They are of the opinion that it is recognized that the railways have market power so it makes no sense to recognize the problem as superior market clout of the railways and then propose giving the railways three more years to find commercial solutions. They maintain that without a *regulatory impetus* to do so or regulations which enforce them to do so, the railways will continue to be able to overcharge and under deliver to shippers. In the mean time, the railways are making an impressive effort to improve service and avoid further regulation. The issue is in the presence of market power (duopoly or monopoly) can an effective commercial solution be achieved without additional regulation. [21]

4.3 Rail Reform in the United States

The rail bill containing antitrust provisions in the United States was derailed as a result of opposition to competitive provisions and priority given to reforms to deal with the economic downturn and the nation's health. In September 2010, there were news paper reports that key lawmakers were trying to reactivate the US rail bill that the Commerce, Science Transportation Committee passed in December 2009. This bill that was passed by the Committee did not contain any antitrust measures as there was strong opposition to the antitrust measures by the railroads. Senator Kohl said while he will continue to work with the Commerce Committee to pass a broader rail bill (with antitrust measures), "all should know that if comprehensive rail reform is not possible, I will seek to advance repeal of the antitrust exemption by any other means possible." Senator Rockefeller at a rail conference in September said that new rail regulation this year or next is going to happen. It will happen either through Congress or changes in regulation. [22]

4.4 Supply Chain Developments

In an attempt to improve customer competitiveness and deliver better end-to-end service, CN has entered a number of supply chain agreements. A few of the major agreements are between: 1. CN and DP World, operators of the Centerm Terminal in Vancouver; 2. CN, and the Prince Rupert Port Authority and Maher Terminals Holding Corp.; 3. CN and Montreal Port Authority and Termont Montreal; 4. CN and Western Stevedoring Company Ltd. and several forest-products companies at Lynnterm Terminal; 5. CN and Squamish Terminals Ltd., Tembec Inc., Canfor Pulp Limited Partnership (CPLP), West Fraser Timber Co. Ltd. (WFT) and Daishowa Marubeni International Ltd. In addition to the agreements, CN has adopted new approaches to supply chain management. For example, it adopted a comprehensive new supply chain approach to managing the flow of coal from mines to west coast terminals; and established strategic car staging locations near producer facilities to improve car capacity together with acquiring a few hundred gondolas for North American steel traffic; *etc.* CN's CEO said "A transportation system

is as strong as its weakest link. ... CN has taken significant steps to improve its supply chain performance ... and we can do it.” The agreements often establish performance targets, customer service measures and productivity indicators to improve the flow, times for unloading and loading between vessels and rail cars, dwell times at the terminal, and CN transit times to markets in Canada and the U.S. As an example of the gains to be achieved, CN has indicated that the new supply chain efficiencies have reduced dwell times for European import vehicles handled by CN's Autoport Terminal in Halifax by approximately 25 per cent since their implementation last spring. While these supply chain agreements will lead to more efficient service whether it will satisfy all shippers fully is not known as some may perceive it as an attempt to avoid further regulation in light of the ongoing railway review. [23]

4.5 Regulatory Developments

Two interesting developments have occurred on the regulatory front. First, Cabinet now requires that rail complaints regarding ancillary and penalty charges to the Canadian Transportation Agency be heard even if they are part of a confidential contract. The Canadian Industrial Transportation Association said "This is a significant victory for shippers." Second, on December 1, 2010 the government launched a consultation process with stakeholders to develop emissions regulations for locomotives under the *Railway Safety Act*. These regulations will address criteria for determining air contaminants, which are produced in many ways, including burning fossil fuels (such as in fuel-burning engines and motors). Reduction of criteria for air contaminants from the rail sector is part of a broader strategy to reduce emissions from the transportation sector. [24]

5.0 Highway Transportation

5.1 The State of the Industry - The For-hire Trucking Carriers

The top five for-hire trucking companies in 2010 were TransForce Inc., Vitran Corporation Inc., Mullen Group Inc., TransX, and Day and Ross according to the Annual Survey of the 100 top for hire-trucking companies. [25] The latest data available from Statistics Canada are for the first quarter of 2010. It reveals that trucking companies earned operating revenues of \$9.6 billion in this quarter, up 8.9% from the same quarter a year earlier. Total operating revenue rose in all provinces except Prince Edward Island, New Brunswick, Manitoba and Northwest Territories. During this same period, trucking companies reported operating expenses of \$8.6 billion compared with \$8 billion a year ago. As a result, the operating ratio (operating expenses divided by operating revenue) improved to .90 for the period from .909 a year ago for the same period. [26] Trade using surface transportation and the number of trucks crossing the US-Canada international bridges provide a good indication of the activity in 2010.

Financial data from the largest trucking companies indicate that their revenues went up in 2010 and truck demand in the US in 2011 is expected to be strong.

5.2 Use of Electronic On-Board Recorder

Universal standards between Canada and the US have always been considered desirable in transportation, especially trucking as millions of vehicles cross between the two countries every day. Different standards could impose barriers to trade between the two countries. This question was once again raised with regard to the use of the electronic on-board recorder (EOBR). The Canadian Trucking alliance is of the opinion that Canada should head for a universal electronic on-board recorder (EOBR) mandate right away as there is the possibility that the U.S. will move

towards a broader mandate than Canada on the EOBR matter. Its CEO, David Bradley says that “Canada is not bound by the same regulatory structures as US and could if it so chooses move to a broad or universal mandate from the outset. Obviously, you would still want to be harmonized with the U.S. from a technology standards point of view, and it is imperative that industry and government reach accord on a fair and equitable enforcement policy, and a technology investment plan, but there is no obligation on the Canadian governments to introduce an interim, remedial step as the FMCSA [U.S. Federal Motor Carrier Safety Administration] is doing.” [27]

5.3 Container haulers protest

Old problems keep resurfacing if not completely resolved. In June 2005, a trucking dispute with 1,200 container truck drivers partially paralyzed the Port of Vancouver, after truck drivers went off the job on June 27, 2005 after failing to reach an agreement on pay raises. At the request of several parties, the federal government intervened under section 27 of the Canada Transportation Act and later a Task Force was appointed. On November 27, 2010 about 400 container truckers protested in Delta, B.C. They complained that B.C. ports are not living up to minimum rates and other conditions outlined by the government following a work stoppage in 2005. They were also upset by new fees, such as a \$300 licensing fee for drivers, the lifting of a ban on new licences and an impending ban of older trucks. The Vancouver Containers Trucking Association is worried that this will hurt container truck drivers, by leading to more trucks, less work and fewer owner operators. The Association has also accused the provincial and federal governments of failing to ensure stable rates for truckers. [28]

5.4 Merger time in the Maritimes

According to the Atlantic Canada Trucking Association there are too many small carriers in that region. As one might expect, as soon as there is an economic downturn, rates drop to an unprofitable level in the competitive struggle. Not surprisingly, carriers either go bankrupt or have to merger to survive. This was noted in the Maritimes. Warren Transport merged with D.D. Transport of Mount Pearl, Newfoundland, to form Atlantica Diversified Transportation Systems while Irving Transportation System announced that its subsidiary Sunbury Transport would be combined with sister carrier RST Transport. An analyst noted that the consolidation trend is a North-American wide phenomenon, but he expects mergers to accelerate in Atlantic Canada specifically so that companies can leverage economies of scale in this challenging market. [29]

6.0 Other Transportation Matters

6.1 Tourism in Need of Stimulation

Tourism is an important sector in Canada. A new study by the National Travel and Tourism Coalition reveals that Canada will continue to lose its attractiveness as a world tourist destination unless governments take immediate action to ease tax, regulatory and other burdens on the \$71.5 billion industry. Since 2002, Canada has slipped from 8th most popular destination for tourists to 15th. To regain our competitive position, action is needed. Further, since the government also derives revenue from this sector one would have expected it to react to a fall in it. In 2009, government revenue attributable to tourism activities in Canada declined 3.7% to \$19.2 billion. This was the first decrease since 2003. Most of the decline stemmed from a drop in revenue directly related to tourism exports, which fell 9.6% to \$4.3 billion. Tourism spending by international visitors (US and overseas) fell 12.8% in 2009. Revenues from domestic tourism

spending declined 1.8% to \$14.9 billion, the only decline on record (which dates back to 2000). [30]

6.2 Prospects.

In sum, the above developments suggest that the transportation sector fared reasonably well compared to some of the other sectors of the economy after the downturn in 2009. This trend is expected to continue into 2011 and unless unusual events occur, it is expected to be a prosperous year for this sector. Further, since its prosperity largely depends on the world economy, recovery from the 2009 downturn which is expected to pick up in the rest of the world is likely to ensure a good year.

Endnotes

[1] New Canadian transport minister appointed, August 9, 2010, www.truckingcanada.ca

[2] Its load factor, revenue passenger miles and capacity were: 81.7, 51.875 billion and 63,496 billion. Air Canada Reports December Traffic, January 7, 2011, www.aircanada.ca

[3] Its load factor, revenue passenger miles and available seat miles for 2010 were: 79.9 percent, 15.613b, and 19.535b. WestJet reports December load factor of 80.3%, January 6, 2011, www.westjet.ca

[4] This estimate was given before the snow storm in Europe. The profit could be lower.

[5] ATAC Testifies before the Senate Committee on Transport and Communications, October 28, 2010, www.atac.ca; An ominous flight pattern: Canadians opting for U.S. airports, November 26, 2010, www.theglobeandmail.ca; and TIAC Appears Before Parliamentary Transport Committees, October 24, 2010, www.tiac.aipc.ca

[6] Skies Now More Open Between Canada and the European Union, January 26, 2010, www.cta-otc.gc.ca; Rovinescu labels Emirates Air proposal as 'subterfuge', March 10, 2010, www.globeandmail.ca; Emirates plan seen hurting mid-sized cities, March 11, 2010, www.globeandmail.ca; and Airlines battle 'one-sided' agreement with Emirates, October 13, 2010, www.globeandmail.ca; Bilateral air negotiations consistent with Blue Sky Policy: Air Canada, November 6, 2010, www.nationalpost.ca; and Tory Cabinet divided over U.A.E. base decision, November 19, 2010, www.globeandmail.ca

[7] See US Department of Justice News Releases on this Investigation, www.usdoj.gov; AA Pays \$5 Million to Settle Cargo Price-Fixing Suit, April 30, 2010, www.joc.com; and Delta Fined \$38 Million For Air Cargo Price-Fixing, July 30, 2010, www.joc.com

[8] EC Sends Expeditors Anti-Competitive Claim, February 12, 2010, www.joc.com; and European Commission News Release on this Investigation, www.europa.eu

[9] Canadian Transportation Agency Issues Decision on Allergies to Cats in Aircraft Cabins, February 25, 2010, www.cta-otc.gc.ca; Voluntary codes of conduct improving air carrier accessibility for persons with disabilities, November 15, 2010, www.cta-otc.gc.ca, and Implementation guides regarding space for service dogs and tactile row markers onboard large aircraft compliance report, November 15, 2010, www.cta-otc.gc.ca; and Regulator orders WestJet to boost lost luggage compensation, November 26, 2010, www.globeandmail.ca

[10] Port of Metro Vancouver, Accumulated Traffic Report [Y-T-D December 2010], January 27, 2011, www.portvancouver.com; Port of Montreal, Accumulated Traffic Report [January to December 2010], February 8, 2011, www.portofmontreal.ca; 2010 Year-end summary of cargo and cruise activity, January 19, 2011, www.portofhalifax.ca; Prince Rupert Port Authority

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