

APTC



**Annual
Transportation
Review
1998**



APTC



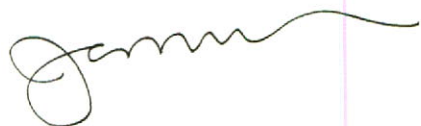
Annual Transportation Review 1998

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The APTC has prepared to move into the next century with a new Mission to develop as the primary source for transportation information, commentary and analysis in Atlantic Canada. This annual journal provides commentary on major transportation policies and issues affecting Atlantic Canada.

The past year has seen major changes in the way the transportation system serving the Atlantic Provinces is managed and operated. The application of advanced electronic data interchange and information technologies hold the potential to substantially improve the safety and efficiency of our transportation system. The challenge for the transportation sector in Atlantic Canada will be to select those systems and technologies, which are best suited to our traffic patterns and infrastructure. The APTC is in the forefront of these activities.

I hope you enjoy the commentary provided in this journal and encourage any comments or suggestions you may have.

A handwritten signature in black ink, appearing to read 'James S. Cowan', with a long, wavy horizontal line extending to the right.

*James S. Cowan
Chair*

INTRODUCTION

The continuing improvement of transportation infrastructure and the privatization of airports and ports were dominant transportation themes in Atlantic Canada in 1998. The projects underway or planned will dramatically improve safety and efficiency in the movement of goods and people within and to and from the region.

The APTC and provincial government transportation planners and policy makers began to turn their attention to maximizing the benefits of the transportation network and further improving safety and efficiency through the use of technology. The APTC along with the Atlantic Provinces Chamber of Commerce undertook to raise awareness of Atlantic Canada's trade corridor and the opportunities for business and tourism development which can result from pursuing corridor strategies. A proposal for an organization to deal with the many complex trade, tourism and transportation issues was put forward by the two organizations. There needs to be more direct involvement by exporters, manufacturers and shippers to balance the interests of governments.

The opportunity presented to the Port of Halifax to be the North American gateway for the Maersk and Sea-Land containership services generated significant interest throughout Atlantic Canada. If Halifax is successful in its bid to obtain all or even a portion of the traffic being offered by the carriers, it will represent a major economic impact for all of Atlantic Canada, in particular, as well as Canada. Support for Halifax has come from trade organizations and governments in all four Atlantic Provinces and the State of Maine.

As we head into the new millennium, the transportation system in Atlantic Canada is getting ready to meet the needs of the community.

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REGIONAL OVERVIEW

Rail

The rail industry in the Atlantic Region continued the trend of recent years. While revenues and carload volumes experienced slight declines, Canadian National reported an increase in operating income. Excluding a pre-tax special charge for workforce reductions and accounting policy changes for pensions, operating income for 1998 was \$1,008 million, an increase of 9% over operating income for 1997. Including the special charge, 1998 operating income was \$418 million.

On February 10, 1998, CN and Illinois Central Corporation (IC) announced that the companies had entered into a merger agreement under which CN would acquire all of the common stock of IC. IC had approximately 61.4 million shares outstanding, giving the transaction a total equity value of approximately \$2.4 billion (US). Upon completion of the merger, CN will also assume IC's net debt of approximately \$560 million (US).

Under the terms of the agreement, CN commenced a cash tender offer which was completed on March 13, 1998, for 46,051,761 shares of IC common stock, representing approximately 75% of the outstanding IC stock, at a price of \$39.00 (US) per share.

On June 4, 1998, CN and IC announced the consummation of the second-step merger. The IC stockholders consented to the merger; therefore, the remaining 25% of the outstanding IC common were exchanged for CN common shares.

CN's acquisition of control of IC is subject to approval by the United States Surface Transportation Board. The shares acquired by CN were placed in a voting trust pending approval that is expected in the first half of 1999.

In mid-April, CN, IC and Kansas City Southern Railway Company (KCSR) announced a 15-year marketing alliance offering shippers new rail freight transportation options by linking key north-south continental freight markets. Services will link points in Canada with the major US Midwest markets, along with the key southern markets. In addition, this new marketing alliance will give shippers access to Mexico's largest rail system, Transportacion Ferroviaria Mexicana, SA de CV.

In 1998, CN introduced a new electronic process for customs clearance between Canada and the US. Rail shipments now cross the border in either direction without delay thanks to new electronic data interchange (EDI) processes designed to report and clear international traffic with US Customs and Canada Customs. Canada Customs and US Customs systems use EDI transaction sets to process detailed information on the shipments before the train arrives at the border. Now the railways and brokers will use the same data sets.

As reported in the *APTC Annual Transportation Journal 1997*, on January 9, 1998, the New Brunswick East Coast Railway acquired operation of the CN rail line between Campbellton and Pacific Jct., near Moncton.

New Brunswick Southern Railway (NBSR) announced the purchase of three locomotives bringing their total fleet to 15.

In early June, 1998, Sunbury Transport, CP Rail (CP), the NBSR, and the Canadian American Railway (CAR) announced a new intermodal transportation service by linking their networks. The NBSR carries the goods between Saint John and Brownsville Junction in Maine. The CAR transports goods from Brownsville Junction to the CP railhead in Montreal for forwarding to points throughout the CP network. Sunbury Transport will provide trucking service to/from key railheads.

The five short line railways in the region, namely, Cape Breton & Central Nova Scotia Railway, New Brunswick Southern Railway, New Brunswick East Coast Railway, Windsor & Hantsport Railway Company, and Quebec North Shore & Labrador operated successfully in 1998.

The Renaissance of Passenger Rail in Canada

On June 11, 1998, the House of Commons Standing Committee on Transport released its report on passenger rail in Canada, recommending long-term industry support which would enable stakeholders to re-capitalize the country's rolling stock and infrastructure and enhance passenger rail services.

The report, *The Renaissance of Passenger Rail in Canada*, contains 11 recommendations dealing with policy objectives, VIA Rail's role, subsidies, remote services, competition issues, track access, governance and high-speed rail.

In late October, 1998, Transport Minister David Collenette announced that, in response to this report, Transport Canada and VIA Rail would be working together over the coming months to prepare a strategic, long-term business plan. It is intended that this plan will outline VIA's route network, levels of service, funding requirements, and proposals for equipment renewal. To help control costs and improve VIA Rail's overall service, the federal government will also

encourage public-private partnerships and consider franchising certain VIA routes to the private sector.

The Minister has indicated that of the report's 11 recommendations, they have accepted seven and two in principle. With respect to the recommendation regarding a high-speed rail network from Toronto to Québec City, it was determined that the proposal would require further analysis before a decision can be reached.

Railway Safety Act

On November 5, 1998, Transport Minister David Collenette reintroduced amendments to the Railway Safety Act in the House of Commons that will improve rail safety across Canada. Previous amendments, which were introduced in May, 1996, did not complete the legislative process prior to the dissolution of Parliament in April, 1997.

These amendments are designed to modernize the legislative and regulatory framework of Canada's rail transportation system. As a result of the amendments, railways will be more responsible for managing their operations safely, while the general public and interested parties will have a greater say on issues of rail safety.

The Railway Safety Act, which came into effect in January, 1989, called for a comprehensive review within five years of the new safety regime it introduced. Amendments resulting from this review, introduced in 1996 as Bill C-43, aimed to:

- streamline the administrative process;
- provide greater involvement for interested organizations in rule-making;
- minimize disruption caused by train noise in communities;
- strengthen and clarify federal powers at grade crossings;
- simplify and improve provisions for ensuring that appropriate safety measures are in place; and
- clarify and strengthen the powers of railway safety inspectors.

In September, 1997, the Minister announced that he was delaying the reintroduction of amendments to allow for a departmental review of current mechanisms for overseeing railway safety and ensuring regulatory compliance. As a result of the review, the following amendments have been added:

- a new policy statement and new definitions;

- authority to require railways to implement safety management systems and report critical information for railway system safety performance monitoring;
- a new safety compliance order targeted at safety management system deficiencies; and
- increased authority for inspectors.

Air

A number of airports have been transferred since the introduction of the National Airports Policy in 1994. This trend continued in 1998, with the following airports transferred to local control:

- The official transfer of Stephenville Airport from the federal government to the Stephenville Airport Corporation became effective February 1, 1998. In addition, Transport Canada provided a financial contribution of \$2,466,500 to facilitate the transition of the Stephenville Airport to full commercialization.
- The management of civilian airport services at Goose Bay Airport was transferred from the federal government to the Goose Bay Airport Corporation effective October 1, 1998. The Goose Bay Airport is owned and operated by the Department of National Defense who will enter into a long-term lease agreement with the Goose Bay Airport Corporation for the management of civilian airport services.
- December 1, 1998, marked the official transfer of operational, managerial and developmental control of St. John's Airport from Transport Canada to the St. John's International Airport Authority.
- The official transfer of Deer Lake Airport from the federal government to the Deer Lake Regional Airport Authority, Inc. was effective December 1, 1998. In addition, Transport Canada provided a one-time financial contribution of \$950,000 up to March 31, 2000.

In mid-December, 1998, Transport Canada announced the signing of an agreement to transfer operational, managerial and developmental control of Charlottetown Airport from the federal government to the Charlottetown Airport Authority. The official transfer is scheduled to take place in March, 1999.

A Letter of intent to enter into formal negotiations for transfer was signed and common understandings on the principal financial issues surrounding transfers were reached, including:

- August 7, 1998, marked the signing of a Letter of Intent to enter into formal negotiations to transfer operational, managerial and developmental control of Fredericton Airport to the Greater Fredericton Airport Authority Inc.
- On September 16, 1998, Transport Canada announced that a common understanding on the principal financial issues surrounding the transfer of Halifax International Airport to local control had been reached between Transport Canada and the Halifax International Airport Authority. The transfer of operational and managerial control could be completed by early spring, 1999.
- On December 10, 1998, Transport Canada and the Saint John Airport Inc. reached a common understanding on the principal financial issues surrounding the transfer of Saint John Airport to local control. It is expected that negotiations on the other transfer elements will be completed in early 1999.

Several regional airports underwent expansions and renovations during the year under review.

- Under the federal government's Airports Capital Assistance Program:
 - A ceremony was held on May 25, 1998, to officially kick off a \$3,801,300 safety improvement project at the Miramichi Airport. The safety project involves resurfacing the runway, taxiway and apron; construction of a new taxiway; upgrading field electrical components and visual aids; the installation of safety fencing; and the purchase of a plow truck, runway sweeper, snowblower and tractor.
 - On June 24, 1998, Transport Canada announced funding of \$64,000 for a safety improvement project at the Bathurst Airport involving the purchase of a new electronic runway friction testing device, installation of edge lighting on runway stopways, and the upgrading the power output of the airport's non-directional beacon.
 - In mid-July, 1998, Transport Canada announced funding of \$498,600 for a safety improvement project involving the purchase of heavy airside mobile equipment at the Sydney Airport.
 - On August 12, 1998, a sod-turning ceremony was held to officially kick off a \$2.01 million safety improvement project at the Charlo Airport. The safety project involves the resurfacing of the runway, taxiway and apron; the purchase of a runway sweeper; and the removal of trees and the lowering of power poles to comply with the airport zoning regulations.
 - In late August, 1998, a \$650,000 expansion project at the Moncton Airport was announced. The space modifications include a secure international arrivals lounge, and larger area for customs and excise.

International passengers had the opportunities to use the facility starting December 23, 1998.

- On March 7, 1998, Transport Canada announced the continuation of funding to the Province of Newfoundland and Labrador in support of the Labrador Coast Airstrip Restoration Program for the 1998-99 to 2002-03 fiscal years, totaling \$3,749,500.
- On July 30, 1998, the NS Department of Economic Development and Tourism announced that the Yarmouth Airport was about to boost its capabilities as a full-service facility. New freight-handling equipment, improved weather reporting services, a new 10,000 sq.-ft. hangar, and a new aggressive marketing plan are all part of this \$440,363 project.
- January 12, 1999, marked the official opening of the expanded and refurbished ticketing and check-in area of the air terminal building at Halifax International Airport, estimated at nearly \$8 million.

Advanced Passenger Movements for Atlantic Region airports, as compiled by Transport Canada and using information received from the airport managers, report an increase of 2.7% in volumes at the National Airports System (NAS), while Regional/Local Airports increased by 6.7%, for a grand total for all reporting sites of 3.0%. The Moncton Airport reported the strongest growth in 1998 of the NAS airports, up 16.1% over 1997. Wabush lead Regional/Local Airports with traffic up by 16.4%. Percentage increases for NAS and Regional/Local Airports are identified in *Table 1* below.

Table 1

AIRPORTS	% CHANGE IN PASSENGER MOVEMENT (1998 Vs. 1997)
Charlottetown, PE	(-) 1.8
Fredericton, NB	2.9
Gander, NF	(-) 7.7
Halifax, NS	2.5
Moncton, NB	16.1
Saint John, NB	.3
Total NAS Airports	2.7
Gander (TOPS), NF*	(-) 17.6
Deer Lake, NF	7.3
Sydney, NS	1.2
Wabush, NF	16.4
Yarmouth, NS	11.6
Total Regional/Local	6.7
GRAND TOTAL	3.0
*(TOPS) Trans Oceanic Planes Stops	
Source: Transport Canada, Coordination Maritimes	

Air Services

On May 1, 1998, Canada 3000 Airlines began flight service from Moncton to Toronto. The direct service operates Monday, Wednesday and Friday, with connections available from Toronto.

On June 1, 1998, Lufthansa German Airlines added St. John's to its global route network through a code share arrangement with Air Nova. In addition to St. John's, Lufthansa also added code share flights for Halifax and Saint John.

As a result of air consultations held in August, 1997, between Canada and Iceland, Icelandair was given the right to operate an additional weekly flight to Halifax. This was on condition that a satisfactory commercial airline arrangement for ground handling at Keflavik Airport could be reached, in order to facilitate new non-scheduled charter services to Iceland by a Canadian airline. With the new arrangement, Icelandair introduced a third scheduled flight to Halifax in April.

Air Canada and Royal Jordanian Airlines reached a code share service agreement between Canada and Amman, Jordan, via London's Heathrow Airport that took effect July 2, 1998. Under the agreement, Air Canada can offer economy seats on up to four Royal Jordanian flights a week between London and Amman. This agreement also allows Air Canada to provide a connection from Amman to St. John's and Halifax via London.

In mid-December, 1998, Air Nova reached a new milestone when it carried its millionth passenger for 1998. This is the first time that the airline surpassed that mark in one year.

In late October 1998, PEI Premier Binns announced a new Joint Marketing Agreement valued at \$230,000 with Signature Vacations, as well as the Tourism Industry Association and the Charlottetown Airport Authority. The agreement represents an increase in the number of flights into the Charlottetown Airport over the next three seasons. Signature has committed to at least two flights per week between Toronto and Charlottetown from June 3 to October 31, and a promise to increase to three flights per week in peak season depending on demand.

Carriage by Air Act

On December 11, 1998, Transport Canada announced that amendments to the *Carriage by Air Act*, which will modernize Canada's rules governing the carriage of passengers, baggage and cargo through the adoption of two key international aviation agreements, have been introduced in the Senate.

The proposed amendments will allow Canada to ratify the Guadalajara Convention and Montreal Protocol No. 4, two international agreements that clarify the liability regime for air transportation and streamline documentation procedures for air cargo by encouraging the use of automated information systems.

These amendments will establish clearer rules for air carrier liability and facilitate international trade by promoting the use of information technology for air cargo.

Safety of Air Taxi Operations

On May 28, 1998, Transport Canada announced that the joint industry-government task force on the Safety of Air Taxi Operations had completed its consultative phase and had issued a report with recommendations on ways to improve the safety record of the air taxi segment of the aviation industry. The air taxi industry consists of helicopters and fixed-wing aircraft other than jets, operated in a commercial air service carrying up to nine passengers or conducting aerial work. The task force was established in 1996 following a review of data indicating that the vast majority of commercial aircraft accidents in Canada involved air taxi aircraft, and that the number of fatal accidents in this sector was not improving. The task force's report includes 71 recommendations for action by Transport Canada, the Transportation Safety Board of Canada, the air taxi industry and Nav Canada.

Firefighting Issues at Canadian Airports

On February 3, 1998, Transport Canada announced its intention to ensure extended firefighting coverage at Canada's 28 busiest airports, and also ordered an independent review of firefighting issues at Canadian airports to supplement work currently being done by government-stakeholder working groups. This initiative included:

- A regulatory change to ensure that on-site firefighting services will be available for all scheduled and chartered airline flights using the 28 Canadian airports that are required to have firefighting services. Firefighting services will be required regardless of the time of arrival or departure.
- The appointment of an internationally recognized safety expert, Dr. Vernon L. Grose of Omega Systems Group Incorporated, to examine and evaluate emergency response capability at airports in Canada.
- A moratorium on proposals to change emergency response plans at smaller airports pending the end of the review process and subsequent implementation of regulations and standards for emergency response at these airports.

Nav Canada

Nav Canada received statutory approval of new and revised charges from the Minister of Transport on September 11, 1998. The charges will become effective on March 1, 1999, with the following exceptions:

- The reductions to the Oceanic Charges and the new exemptions became effective November 1, 1998.
- The increase in the Terminal Services Charge at applicable airports North of 60° N will be phased in over a two-year period with the first increase effective November 1, 1999, and the second increase on November 1, 2000.

This announcement consists of seven sections:

1. Charges for aircraft weighing 3 metric tonnes (6,614 lbs.) or less
2. Charges for propeller aircraft, including helicopters, weighing more than 3 metric tonnes (6,614 lbs.) in respect of Terminal and Enroute Services
3. Terminal Services Charge and Enroute Charge for jet aircraft weighing more than 3 metric tonnes (6,614 lbs.)
4. Oceanic Charges
5. Charges for Extra Services
6. Exemptions and Reductions
7. Billing Information and Terms and Conditions of Payment regarding charges

Draft Enforcement Manual

In mid-1998, the Canadian Transportation Agency issued a notice of *Consultation on the Draft Enforcement Manual*, requesting comments on its proposed enforcement and penalty scheme related to the Air Transport Regulations and the Designated Provisions Regulations concerning accessibility for persons with disabilities. The proposal would establish a program of facility inspections, carrier inspections and *Administrative Monetary Penalties* (i.e., fines) to ensure compliance by air carriers with the Canada Transportation Act, the Air Transportation Regulations and the Personnel Training for the Assistance of Persons with Disabilities Regulations.

In as much as this proposal is to create an enforcement scheme for regulations that primarily govern the service levels provided by air carriers, the APTC submitted its opinion stating that the proposed scheme is draconian and unnecessary. Such measures will only add costs to an already overly expensive system.

The APTC has a long established policy of encouraging the elimination of the economic regulation of carriers in all modes. The APTC believes that competition and market forces are the best determinants of the level of service provided by carriers. The APTC has been and will continue to ask the federal government to eliminate economic controls on air carriers and allow market conditions to determine the location and frequency of air carrier operations. The federal government's current policy of airport commercialization and privatization makes this even more important. Local airport authorities must be provided a reasonable opportunity for the successful long-term financial and operational management of their airport. This includes the freedom to market their facilities and attract new services to their communities. This can only be accomplished by the elimination of economic market controls on air carriers. Federal government regulatory activities should be focused on safety matters.

Highway

Regulatory

Newfoundland Dump Trucks

In early 1998, the Newfoundland and Labrador Department of Works, Services and Transportation and the Quebec Ministry of Transport negotiated an agreement for access to the intra-Quebec dump truck market. Dump truck operators domiciled in Labrador and/or on the Northern Peninsula of Newfoundland, to the municipality of Wiltendale inclusive, are now permitted access to neighbouring areas of Quebec. Both provinces have agreed rules will remain consistent with those currently in place in each respective province.

NF Highway Traffic Act

On December 23, 1998, the province of Newfoundland and Labrador amended its Highway Traffic Demerit Point System Regulations, as well as, introduced a Highway Traffic Driver Regulation, 1999, under the Highway Traffic Act. These regulations will become effective on January 1, 1999.

NB Permits

On December 9, 1998, the NB Department of Transportation advised that effective January 4, 1999, permits would be required for trucks to travel on certain sections of highway in the province, beginning with three sections of highway in the Moncton area. The permitting process will be applied as portions of the Fredericton-Moncton Highway Project are completed and open to traffic, as well as to other sections of highway in the province where appropriate. Two types of permits will be issued: residential permits and local delivery permits.

NB Tax Exempt Fuel

As of April 1, 1998, New Brunswick joined all other North American jurisdictions by requiring that tax-exempt motive fuel (including tax exempt diesel) be marked. The move will ensure that proper storage and handling procedures are being followed for tax-exempt motive fuel. Wholesalers will be given one year to set up dye-injection systems for this change.

Motor Vehicle Safety Regulations

On December 23, 1998, Regulations amending the Motor Vehicle Safety Regulations (Trailer Cargo Anchoring Devices) were published in the Canada Gazette Part II, Vol. 132, No. 2. The coming into force of these regulations is September 1, 1999.

Quebec Motor Vehicle Weights & Dimensions Changes

A Regulation to amend the Vehicle Load and Size Limits Regulations in Quebec came in force on November 25, 1998. The new regulation modified some vehicle load and size limits. It provides for administrative streamlining through the elimination of special permits, notably those for semi-trailers 16.15 meters (53 feet) long, and for increased compatibility between Quebec standards and those of other North American administrations. It also takes into account the recent changes in the Memorandum of Understanding on a Federal-Provincial-Territorial Agreement on Vehicle Weights and Dimensions.

The new regulation constitutes the third and final component of the comprehensive reform of the standards respecting heavy vehicle load and size limits announced by the Minister of Transport in December 1996. The first two components, namely, the integration of a semi-trailer 16.15 metres (53 feet) long into a road train and the authorization of some B train double trailer combinations on a more extended road network, have already been implemented.

Quebec Spring Weight Restrictions

As reported in the *APTC Annual Transportation Review 1997*, the Province of Quebec had announced a complete review of their spring weight policy commencing with the 1998 spring thaw. The New Brunswick Department of Transportation cooperated by providing input on a number of enforcement and other issues.

The recommendation that stemmed from this review was that, given the conditions of the New Brunswick network and especially secondary roads, the Province of Quebec should not adopt similar standards. Therefore, spring weight restrictions regulations in the Province of Quebec remain unchanged.

The reduction in payload resulting from the Quebec spring weight restrictions policy continues to represent a barrier to inter-provincial trade.

Ontario Safety Enforcement

Since 1996, as part of their *Ontario's Road Safety Plan*, the Province of Ontario has been targeting some of the worst offenders on their roads. Three years into their five year Road Safety Plan:

- Effective February 2, 1998, Ontario became the first jurisdiction in North America to introduce truck and bus impoundment for vehicles with critical defects.
- New measures aimed at first time and repeat drinking driving offenders in Ontario went into effect on September 30, 1998.
- New measures aimed at suspended drivers went into effect on November 30, 1998 in Ontario.

Canadian Trucks in US

Proposed amendments regarding Foreign-based Commercial Motor Vehicles in International Traffic were filed with the US Federal Register, on May 19, 1998 (Volume 63, Number 96). This document proposes to revise the Customs Regulations to allow certain foreign-based commercial motor vehicles, which are admitted as instruments of international traffic, to engage in the transportation of merchandise between points in the United States where such transportation is incidental to the immediately prior or subsequent engagement of such vehicles in international traffic. Any movement of these vehicles in the general direction of an export move or as part of the return movement of the vehicles to their base country shall be considered incidental to the international movement. The benefit of this liberalization of current cabotage restrictions inures in particular to both the United States and foreign trucking industries inasmuch as it allows more efficient and economical utilization of their respective vehicles both internationally and domestically.

US Immigration Law

The Immigration and Naturalization Service (INS) did not change its inspection procedures on October 1, 1998, while Congress continued to consider the entry/exit controls specified in Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA). Section 110 requires the INS to develop a new system, which would automatically gather entry and exit data at all land, sea, and air ports-of-entry in the United States. INS has informed Congress that it is testing new technologies in a laboratory environment, and expanding its use of computer simulation to model the entry/exit control process. The testing will determine whether and how quickly different technologies can capture the required information, with minimal disruption to normal inspection procedures.

Congressional leaders have reached a compromise on Section 110. Although hoping for an end to the provision of the US immigration law that could cause serious disruptions in cross-border trade with Canada, word of a two-year postponement of the controversial law is welcomed news.

Canada/US Medical Accord

Canada and the United States completed an exchange of letters of agreement on December 30, 1998 regarding medical qualifications for truck drivers. The effective date of the agreement will be March 31, 1999. The deal will eliminate the need for Canadian drivers to carry a US medical fitness certificate while operating in the United States. The driver's proof of medical fitness will be his provincial commercial operator's license.

Infrastructure

Confederation Bridge

May 31, 1998, marked the first year in operation for the Confederation Bridge linking PEI to the mainland.

While no final solution to the delay of commercial vehicles caused by high winds, Strait Crossing Bridge Ltd. has been trying to alleviate some of the truckers' frustrations by distributing information relating to interruptions in service as widely and as quickly as it becomes available.

While some interruptions have occurred for the commercial industry during high wind conditions, safety remains the main issue of consideration. The benefits in time saving and equipment utilization far outweigh the ferry system.

Fredericton-Moncton Highway Project

On January 22, 1998, the New Brunswick Government announced it had signed a \$584.4 million contract with the Maritime Road Development Corporation to design, build and maintain the new four-lane Fredericton to Moncton Highway Project. Work on the project began in 1998 with several contracts being awarded.

On December 22, 1998, the Government of New Brunswick announced it would provide a subsidy for users to purchase transponders for the Fredericton to Moncton four-lane highway. The amount of the subsidy will average approximately \$20 per unit, depending on the model purchased and will be effective until November 30, 2002.

On December 31, 1998, MRDC announced that the first toll plaza of the Fredericton-Moncton Highway Project would open January 4, 1999, near River Glade, west of Moncton.

The toll rates for vehicles passing through the River Glade plaza will be:

➤ Passenger vehicle	—	\$0.75
➤ Recreation vehicle	—	\$1.25
➤ Two axle commercial vehicle	—	\$1.00
➤ Three axle commercial vehicle	—	\$1.75
➤ Four axle commercial vehicle	—	\$2.25
➤ Five axle commercial vehicle	—	\$2.75
➤ Six axle commercial vehicle	—	\$3.25

Trans Labrador Highway

The Trans Labrador Highway is scheduled for completion in three phases:

- Phase I - Happy Valley-Goose Bay to Churchill Falls
- Phase II - Red Bay to Cartwright
- Phase III - Happy Valley-Goose Bay to Cartwright Junction

The province's total commitment for the Trans Labrador Highway project for 1998 was \$36 million, which included \$500,000 for planning, environmental assessment and, design for Phase II. Phase I of the Trans Labrador Highway was substantially completed during 1998, comprising of four major projects:

- Upgrading 21.6 km of Route 500, from Churchill Falls towards Rapid Brook.
- Upgrading of 32 km of Route 500, from East Metchin River towards Churchill Falls.
- Upgrading of 24.7 km of Route 500, from Wilson River to East Metchin River.
- Upgrading of 52 km of Route 500, from Cache River to Wilson River.

Cobequid Pass

The subsidy to purchase the E-Pass transponder for the Cobequid Pass ended July 10, 1998. Since the Cobequid Pass opened in November, 1997, the regular \$40 purchase price of E-Pass transponders for passenger cars has been subsidized 60% by Atlantic Highways Management Corporation and the Nova Scotia Department of Transportation and Public Works.

New Brunswick Highways

- October 31, 1998, marked the official opening of a new \$7.2 million four-lane bridge, the St. Peter's Village Bridge/Pont du village Saint-Pierre, into Bathurst, NB.
- A 4.4 km section of a new four-lane highway on Route 1, with a new interchange and overpasses at Route 772 was officially opened on October 3, 1998. The total cost of this project was \$10.1 million.
- November 10, 1998, marked the official opening ceremony of the Route 15 bypass at Cap-Pelé, NB. The bypass project, with a total cost of \$25.75 million, involved the construction of 12.6 kilometres of two-lane highway.

Newfoundland Highways

- Phase One of the Conception Bay South Bypass Road, the stretch of highway from Fowler's Road to Foxtrap Access Road was opened to traffic on September 15, 1998. The Conception Bay South Bypass Road will be completed in three phases. Work is continuing on Phase Two, from the Foxtrap Access Road towards Legion Road, with the final phase from Legion Road towards Seal Cove to be completed before the expiration of the Regional Trunk Roads Agreement in 2002.
- On November 25, a ribbon cutting ceremony was held to officially open the first section of the Outer Ring Road. Construction of the \$68.2 million road, announced in 1988 as part of the Roads For Rails Agreement, began in 1994.

Nova Scotia Highways

- Phase 1 of a \$22-million project to twin Highway 103 from Beechville to Upper Tantallon was officially opened on November 3, 1998. Phase 1 is five kilometres long and cost approximately \$4.2 million.

Services

La Financière Besway Inc., an investment company announced the creation of Besner Atlantic Trucking Ltd. The company, located in Dieppe, NB, specializes in truckload services and will be serving the Atlantic Provinces and the United States.

On September 23, 1998, the Nova Scotia Utility and Review Board approved applications by MacKenzie Bus Line Ltd. to abandon two licenses, one to provide scheduled passenger service between Halifax and Yarmouth, and the other for charter service to points in Canada and the United States. The Board subsequently issued Authorities to DRL Coachlines Ltd. to take over the services provided by MacKenzie Bus Line Ltd. under both licenses effective November 1, 1998. A hearing for Permanent Authorities will be held at a later date.

Marine

Under the National Marine Policy, regional/local ports are to be transferred to other interests. During 1998, the following were transferred:

- Effective January 19, 1998, Transport Canada announced the official transfer of the port facility at the Country Harbour Government Wharf at Stormont to Mersey Seafoods Ltd. of Liverpool, for the sum of \$200,000.
- Transport Canada announced the transfer of ownership of the government wharf at the Port of Sheet Harbour to E.R.W. Holdings Ltd. of Sheet Harbour, effective January 22, 1998.
- February 25, 1998, marked the official transfer of the port facilities at the Chatham Marine Terminal in Miramichi, from Transport Canada to the Province of New Brunswick. In association with this agreement, the Chatham Station Wharf was also transferred to the Province.
- October 23, 1998 marked the official transfer of the Bridgewater Marine terminal to the Artificial Reef Society of Nova Scotia. The facility will be used as a new tourist attraction.

In late 1998, indications were that the federal government had negotiated a deal to sell the Port of Bayside to the Bayside Port Steering Committee Inc. for \$2.8-million. The tentative deal could put ownership of the port into local hands by the first of April 1999.

Improvements to facilities were ongoing in 1998, including:

- On May 19, 1998 a \$166,965 contract was awarded to replace the deck surface of Queen's Wharf at the Summerside Marine Terminal. The project involves the replacement of a 63-metre portion of existing deck with a pre-cast concrete deck and topping and the installation of new timber wheel guards.
- On June 9, 1998, Transport Canada awarded a \$ 478,000 contract to undertake the first phase of a two-phase wharf improvement project at the Charlottetown Marine Terminal. Phase One of the project involves repairing the west and south berth concrete copewall and wheelguard, placing of continuous steel plate and concrete over the existing steel sheet piling, as well as the installation of new rubber fendering for the west and south berth.
- On June 19, 1998, Transport Canada announced a \$94,823 contract to install cladding on the transit sheds at the Charlottetown Marine Terminal.
- On September 8, 1998, the NB Department of Economic Development, Tourism and announced that Logistec Stevedoring would build a new 11,000 sq. m (116,000 sq. ft.) transit shed at the Port of Dalhousie.

- In early October, 1998, a contract of \$124,000 was awarded for asphalt repairs at the Corner Brook Container Terminal.

Major projects in 1998 at the Port of Halifax included the re-engineering of Pier 9A at Richmond Terminals, renovations to Pier 22, redevelopment of the Immigration Annex at Ocean Terminals, and on-going structural improvements to the grain elevator. Investment at the Port's two container terminals included drainage improvements to Pier C and work at Pier B, Halterm Container Terminal, to accommodate larger container ships; and additional rail trackage and creation of additional lay-down area at Fairview Cove Container Terminal, for continued growth.

More than \$4 million was invested in capital and major maintenance projects at the Port of Saint John during 1998. This included a \$1.5 million modification to Rodney Container Terminal allowing for simultaneous loading of containers and ro-ro cargo. Other initiatives included implementation of a three-year fender replacement program, enhanced dockside rail capability, paving, roofing and annual dredging.

Autoterm Inc., a subsidiary of Logistec Corporation, opened a facility at the Port of Saint John for the distribution of vehicles throughout Atlantic Canada.

During 1998, the Saint John Port Corporation developed a new strategic plan and introduced a new logo, "Port New Brunswick, Saint John."

New services introduced at the Port of Halifax in 1998 included: the TASCO I Trans-Atlantic service offered by China Ocean Shipping Company (COSCO), Yang Ming, and K-Line which began weekly service in late October, 1998. Earlier in the year, Halifax welcomed the return of Orient Overseas Container Line (OOCL) for the first time since 1991, as part of the new "Grand Alliance" shipping line consortium.

In late 1998, Coral Container Lines announced the inauguration of a service from Halifax to Havana, Cuba with a sailing every 15 days. The inaugural call in Halifax was January 25, 1999.

Halifax became the first East Coast port in North America to receive a post-Panamax container ship when Maersk Line's vessel Regina Maersk, made its inaugural call at the Port on July 20, 1998.

Traffic handled at Ports Canada ports in Atlantic Canada during 1998 is summarized in *Table 2*. The total all cargo tonnage for all Ports Canada ports experienced a 6.28% decrease over 1997. The Port of Saint John experienced a 7.73% decrease in overall cargo tonnage, while maintaining their containerized cargo with a 1.53% increase. Overall cargo tonnage also decreased at the Port of Halifax, with a 6.70% decrease, while containerized cargo experienced a 9.32%

decrease. Increased tonnage was experienced at both the Port of St. John's and the Port of Belledune. Over all cargo increased 4.7% at the Port of St. John's, with a slight increase of 2.71% in container cargo. All cargo tonnage handled at the Port of Belledune was up by 6.06%.

Table 2

**WATER CARGO TONNAGE LOADED
OR UNLOADED AT PORTS CANADA PORTS
(In Metric Tonnes)**

<u>Calendar Year</u>	<u>Saint John</u>	<u>Halifax</u>	<u>St. John's</u>	<u>Belledune</u>	<u>Total</u>
<u>ALL CARGO</u>					
1998	19,412,093	13,173,353	998,506	2,217,867	35,801,819
1997	21,039,426	14,118,779	953,502	2,091,131	38,202,838
Variance	(1,627,333)	(945,426)	45,004	126,736	(2,401,019)
% Change	-7.73	-6.70	4.72	6.06	-6.28
<u>GENERAL OTHER CARGO*</u>					
1998	913,321	417,158	172,615	33,615	1,536,709
1997	987,535	428,188	170,840	—	1,586,563
Variance	(74,214)	(11,030)	1,775	33,615	(49,854)
% Change	-7.52	-2.58	1.04	—	-3.14
<u>CONTAINER CARGO</u>					
1998	282,178	3,455,096	365,249	—	4,102,523
1997	277,923	3,810,391	355,597	—	4,443,911
Variance	4,255	(355,295)	9,652	—	(341,388)
% Change	1.53	-9.32	2.71	—	-7.68

* Excludes bulk cargo

Source: Canada Ports Corporation

The Port of Sydney cargo tonnage fell slightly in 1998 compared to 1997. Cargo totals for 1998 amounted to 599,317 metric tonnes, compared with 600,545 tonnes in 1997. The figures identified included cargo moving through facilities at the Sydney Government Wharf, Sydney Steel and the Cape Breton Development Corporation. An increase in steel and break-bulk cargo, offset by a dramatic drop in coal and general-bulk cargo shipments, helped keep tonnages near 1997 levels.

Ferries

Ferry operating statistics reported for 1998, including Marine Atlantic Services and Northern Cruiser Limited are provided in *Table 3*.

Table 3

FERRY OPERATING STATISTICS								
<u>SERVICE</u>	<u>YEAR</u>	<u>TRIPS</u>	<u>PASSENGERS</u>		<u>AUTOMOBILES & PICK-UP TRUCKS</u>		<u>TRUCKS & TRACTOR TRAILERS</u>	
<u>MARINE ATLANTIC SERVICES</u>								
North Sydney -	1998	1,609	403,172	9.1%	113,711	9.8%	70,743	4.9%
Port aux Basques	1997	1,608	369,497		103,591		67,449	
North Sydney -	1998	67	40,725	-6.0%	11,358	-6.5%	252	-1.2%
Argentia ⁽¹⁾	1997	70	43,315		12,153		255	
<u>NORTHERN CRUISER LIMITED</u>								
St. Barbe -	1998	890	41,161	17.9%	14,343	23.7%	1,427	-5.4%
Blanc Sablon ⁽²⁾	1997	873	34,902		11,594		1,509	
(1) 1998 operated June 19 to September 19 1997 operated June 20 to September 12					(2) 1998 operated May 1 to January 3, 1999 1997 operated May 1 to January 3, 1998			
Source: Marine Atlantic Inc. Northern Cruiser Limited								

On April 8, 1998, Transport Minister David Collenette announced the relocation of Marine Atlantic's head office from Moncton to two locations: Port aux Basques and North Sydney. As part of this move, those corporate functions located at St. John's also moved to Port aux Basques.

In early April, the federal government announced a three-year extension to the current subsidy operating agreement with Northumberland Ferries Ltd. (NFL), which operates the ferry between Wood Islands and Caribou. The agreement will now continue until the year 2003. Subsidy amounts will be negotiated annually.

Due to larger vessels, which replaced four smaller vessels, resulting in a 30% increase in capacity, Northumberland Ferries announced it would be reducing crossings to eight times a day instead of 10 between Nova Scotia and Prince Edward Island for the summer of 1998.

In late October, Marine Atlantic advised all operators of commercial vehicles traveling to and from Newfoundland that proper securing points were required on each truck or tractor.

On April 2, 1998, the Newfoundland & Labrador Dept. of Works, Services and Transportation announced a new operator for the Labrador Marine Service. The new operator is 10663 Newfoundland Limited, a consortium of companies comprised of the Woodward Group, Crosbie's Shipping and Puddister's Shipping, with the Woodward Group being the lead partner in this venture. The contract is for the management and operation of the two vessels, the *Sir Robert Bond* and the *Northern Ranger*, in addition to the two terminals in Lewisporte and Happy Valley-Goose Bay, and has a representative in each of the ports along the Labrador coast. The contract is for a two-year period, with an option to extend to a third year.

On March 30, 1998, the federal government awarded a \$3-million contract for the construction of a new ferry wharf at Souris, PEI. The work is the second part of a three-phase project for new facilities at Souris to accommodate the MV *Madeleine*, the new ferry linking Souris and Cap-aux-Meules, PQ.

June 30, 1998, marked 100 years of ferry service between Port aux Basques and North Sydney. Joining with Marine Atlantic in two days of festivities were the Town of Channel-Port aux Basques and the Cape Breton Regional Municipality.

August 21, 1998, marked the arrival of the new marine vessel, *MV Captain Earl W. Winsor*, to Fogo and Change Islands, ferry service.

Pilotage

During the year under review, the Atlantic Pilotage Authority (APA) implemented regulatory amendments as follows:

- Effective with June 4, 1998, the APA Regulations were amended to allow relaxation in the trip requirements for pilotage certification in the three less difficult areas, namely: Bay of Exploits and Humber Arm, Nfld., and the Confederation Bridge. The holder of a pilotage certificate shall, while having the conduct of a ship, complete every two years at least four one-way trips in each of the compulsory areas in which the holder performs pilotage duties. This was reduced from 12 one-way trips, which is still required in other compulsory areas.
- Effective with June 4, 1998, adjustments or re-alignment of rates and the tariff charges in the compulsory pilotage areas were implemented, reflecting increases, decreases and in some areas no change. Amendments in the non-compulsory pilotage areas reflecting a 2.5% increase, as previously proposed, were also implemented.

On August 25, 1998, Transport Canada announced the appointment of the Canadian Transportation Agency to conduct a review of Canada's outstanding pilotage issues as stipulated in the Canada Marine Act, details of which are provided on page 40.

MARINE SERVICES FEES

Proposed changes to the Marine Navigation Services Fees (MNSF), as well as the introduction of an Icebreaking Services Fee (ISF), were announced by the Minister of Fisheries and Oceans, the Honourable David Anderson, on May 14, 1998. At that time, the Minister indicated that public consultations would precede implementation of any modifications to marine services cost recovery initiative in 1998.

In mid June, the Canadian Coast Guard released their Marine Services Fees Consultation Package indicating that changes to the MNSF would become effective on October 1, 1998, with the ISF on December 21, 1998. At that time, interested parties were invited to comment on the proposed fees.

Navigational Aids

Following consultation of the proposed fees as outlined above, Canadian Coast Guard released details of the Navigational Aids Marine Services Fee, which took effect on October 1, 1998. The fees applicable for the Maritimes and Newfoundland, which will remain in effect for the next three years, follow:

Table 4

<u>CATEGORY</u>	<u>FEES</u>
Foreign Flag Cargo⁽¹⁾:	Per cargo tonne loaded/unloaded
Newfoundland	\$.152
Maritime Zones:	
Bay of Fundy	\$.089
East Coast Nova Scotia	\$.107
Bay of Chaleur	\$.160
PEI/Northumberland	\$.216
Miramichi	\$.216
Foreign Flag Cruise⁽²⁾	0-150 GT - \$300 151-22,500 GT - \$500 over 22,500 GT - \$1500
Foreign Flag – Coasting Trade⁽³⁾	\$.38/GT/month
Foreign Flag – Other⁽³⁾	\$.38/GT/month
Canadian Flag⁽¹⁾:	
Bulkers, self-unloaders & containers	\$.0069/100 t/k
Ferries	\$1.65 GT/quarter
Other	\$1.14 GT/quarter
⁽¹⁾ Minimum fee of \$25 per visit. The ceiling for gypsum is \$.15 per tonne and for aggregates \$.05 per tonne.	
⁽²⁾ Fees are subject to a maximum of 3 port calls per 30-day period.	
⁽³⁾ Minimum charge is \$25.	

Icebreaking Fee

In response to concerns raised by stakeholders, in early December, the Coast Guard announced an amended proposal for the introduction of the Icebreaking Services Fee (ISF). The proposal will now annually generate \$6.65 million (down from the initial projection of \$13.3 million), plus administration costs. Highlights of the revised transit fee structure proposal follow:

- A transit-based uniform icebreaking services fee will be implemented December 21, 1998.
- This fee will apply to all ships except fishing vessels, government ships, or pleasure craft.
- This fee will apply to all transits to and/or from ports located in the ice zone during the ice season. A transit is defined as any ship movement that includes one departure port, one arrival port, and no intermediate port calls in between. Ship movements that remain entirely within the boundaries of a port will not be subject to the fee.
- The ice zone and ice season dates are: northeast coast of Newfoundland (January 15 - May 15); Lake Ontario (December 21-24 and April 1-15); all other waters and estuaries of the Great Lakes, St. Lawrence River and Gulf of St. Lawrence (December 21 to April 15).
- The annual cap on chargeable transits will be 8 per ship. As well, a cap of 3 chargeable transits per 30-day period, starting on December 21 and every 30-day period thereafter, will be introduced.
- Ships which provide documentation of ice-strengthening may be eligible for rate discounts as follows: discounts of 15% for Canada Type D, 25% for Canada Type C, and 35% for Canada Types A and B, and Arctic Class. Ships demonstrating internationally recognized ice-strengthening equivalents would also be eligible for the discounts.
- Port stops made solely for the purpose of bunkering, responding to a medical emergency, undertaking emergency ship repairs, responding to a government department or agency request to stop, or making an overnight stop required due to the seasonal removal of lighted aids to navigation will not be subject to the fee.
- Transits between two remote locations as listed in Revenue Canada's Form T4039 Northern Residents Deductions Places in Prescribed Zones will not be subject to the fee.
- Tug and pilot boats providing support to a self-propelled ship will not be subject to the fee.
- A portion of the fees paid by ships transporting gypsum and aggregates may be subject to a partial rebate at year-end.

- The revised per-transit base rate, which reflects both the reduced revenue level and the modifications to the original proposal as outlined above, will be set at \$3,100.
- Stakeholders were encouraged to review the amended proposal and provide any comments by December 15. Comments would be assessed before the fee is approved and implemented by the Minister of Fisheries and Oceans.
- In light of the 50% reduction in the revenue generated from the ISF, any cost savings arising over the next three years will not be reflected in reduced rates during this period. The fee will be reviewed after three years. In the meantime, the Coast Guard will work in partnership with industry to address cost and service delivery issues.

The introduction of a 50% reduction in the revenue targets for the icebreaking fees, and given the fact that the revenue targets for Marine Navigation Services Fees were not reduced, was met with frustration by some regional representatives and considered unfair to ice free ports. This was seen as a subsidization of Central Canadian ports at the expense of our regional ports.

CANADA MARINE ACT

On June 11, 1998, Bill C-9, the Canada Marine Act received royal assent. The Act set out the legislative scheme for the establishment and operation of Canada Port Authorities. It established the legislative scheme for public ports and public port facilities that the Minister will administer and the different ways the Minister can deal with those ports and facilities. It describes the legal structure for the future operation of the Seaway. It provides the Government with a residual regulatory power in relation to other harbours, provides for the designation of enforcement officers to enforce regulations in all ports and harbours and provides those enforcement officers with the powers necessary to carry out their duties. The enactment also provides measures to ensure the financial self-sufficiency and accountability of pilotage authorities through amendments to the *Pilotage Act*.

Provisions of the Canada Marine Act not yet in force would automatically come into force on January 1, 1999, unless the Governor-in-Council declared it or its provisions to come into force on a day or days fixed by order. Subsequently, by order dated December 10, 1998, the Governor-in-Council declared that the provisions of the Act, including those that continue certain ports as port authorities and others as public ports and related provisions such as the dissolution of the Canada Ports Corporation, were postponed.

HALIFAX SUPERPORT PROPOSAL

In May of 1998, ocean containership carriers Maersk Shipping Line and Sea-Land Service Inc., which share ships, services and facilities, invited bids to consolidate their East Coast North American operations through a single port facility. Several East Coast ports were invited to submit proposals, including Halifax, New York, Baltimore, Norfolk, and several others.

The first phase of the bidding process was completed in June. The ports submitted details of the terminal facilities to accommodate the 6,000 TEU (twenty-foot equivalent) post-Panamax vessels utilized by the carriers. The terminal would require up to one dozen high capacity container cranes capable of handling 550,000 lifts per year. To meet these requirements, Halifax proposed construction of a new container terminal located along the Rockingham shore of Fairview Cove at an estimated cost of \$500 million and including on-dock rail facilities.

The second phase of the bidding process was completed in August during which the Port of Halifax and the Province of Nova Scotia presented details of their service and finance proposal to the two carriers.

The bidding process had originally been anticipated to take approximately six months, with the carriers announcing a decision late in 1998. However, the complexity of the issues involved and the bids received have caused the decision on the terminal facility to be postponed.

The APTC and a number of other trade organizations, including the Canadian Industrial Transportation League, supported Halifax's proposal. In a letter to the federal Transport Minister, David Collenette, the APTC stated:

Halifax is Canada's East Coast gateway to the North American continent. It is the only East Coast Canadian port physically capable of accommodating these vessels. This project has the potential to generate enormous long-term economic activity within Canada. It will provide enhanced access to the global marketplace for Canadian exporters.

This project provides an opportunity to further Canada's and the Atlantic Region's positions as global leaders in transportation systems and facilities.

The APTC went on to point out the consequences of the increased competition, which would be created if Halifax were not successful in obtaining all, or a portion of this business. The federal government was encouraged to support the Halifax proposal for the benefit of all Canadians.

The federal government, however, has publicly refrained from commenting on the issue out of legitimate fears of sparking a bidding war between Canada and the United States. As the process dragged on and the decision deadline pushed back to April, 1999, there was increasing speculation that Halifax would, at the very least, obtain a significant portion of the traffic. Three ports, Halifax, New York and Baltimore, were still in the running at year-end.

SUSTAINABLE TRANSPORTATION

In December, 1997, at the Kyoto meeting of the United Nations Framework Convention on Climate Change, Canada negotiated a Protocol to reduce its national greenhouse gas (GHG) emissions by 6% from 1990 levels, during a five-year commitment period beginning in 2008. The National Round Table on the Environment and the Economy was established to identify and analyze measures to meet Canada's commitment to the Kyoto accord. Fourteen Issue Tables were established including a Transportation Table. Transportation has been identified as a major sector contributing 27% of Canada's GHG emissions.

The Transportation Table established four subgroups (see *Table 5*) to carry out analytical work and consult with stakeholders: Road Vehicle Technology & Fuels Subgroup; Freight Subgroup; Passenger Subgroup; and the Consultations Subgroup. The Freight and Passenger Subgroups were then further divided into subcommittees along modal lines. The APTC is represented on the Freight Subgroup through its partnership with the Canadian Industrial Transportation Association, and participates directly in the work of the Rail Subcommittee.

In December, 1998, the Transportation Table released a *Foundation Paper on Climate Change — Transportation Sector*. This paper provided a cross-section of available information, highlighted information gaps, and outlined issues that require further evaluation. With a budget of \$2.1 million over two years, \$1.5 million of which is set aside for research, the Transportation Table embarked on a number of research projects to eliminate information gaps and develop material for the Table's final report due in September, 1999.

Atlantic Canada's geographic location and consequence dependence on transportation make this an issue of paramount importance for the region. Due to a small local market, manufacturers and producers in the Atlantic Provinces are dependent upon markets outside the region for approximately 85% of their production. These goods typically travel long distances to reach their destinations. Similarly, the region depends upon outside suppliers for many production inputs and consumer goods. The tourism sector is a major contributor to the region's economy and depends upon the ability to attract travellers from around the globe.

TRANSPORTATION TABLE — RESEARCH PROJECTS

MAIN TABLE

- Fuel Taxes and Elasticities
- Off-road Emissions
- Emissions Trading/Credits

ROAD VEHICLE TECHNOLOGY AND FUELS SUBGROUP

- Alternative and Future Fuels and Energy Sources for Road Vehicles
- Alternative and Future Technologies for Road Vehicles
- Vehicle & Fuels Technology Measures Analysis

FREIGHT SUBGROUP

- | | |
|------------|--|
| Multimodal | <ul style="list-style-type: none"> ▪ Assessment of Freight Forecasts and Greenhouse Gas (GHG) Emissions ▪ Assessment of Modal Integration and Modal Shift Opportunities |
| Air | <ul style="list-style-type: none"> ▪ Report on Climate Change |
| Rail | <ul style="list-style-type: none"> ▪ Survey of Rail Industry Technological Improvements ▪ Review of Socio-economic Issues Affecting Railways |
| Marine | <ul style="list-style-type: none"> ▪ Assessment of Opportunities to Reduce GHG Emissions in the Marine Transportation Industry |
| Trucking | <ul style="list-style-type: none"> ▪ Environmental Awareness and Outreach Measures to Reduce GHG Emissions from the Trucking Sector ▪ Potential for GHG Reductions from Improved Use of Existing and New Technologies in the Trucking Industry ▪ Potential for GHG Reductions from Scrappage Programs for Older Trucks or Engines |

PASSENGER SUBGROUP

- | | |
|-----------|---|
| Urban | <ul style="list-style-type: none"> ▪ Basic Study on Emission Reductions for Urban Canada ▪ Strategies to Reduce GHG Emissions from Passenger Transportation in Three Large Urban Areas ▪ Tax Exempt Status for Employer Provided Transit Benefits ▪ Alternative Fuels Market Research Study |
| Intercity | <ul style="list-style-type: none"> ▪ Modal Shift ▪ Intelligent Transportation Systems ▪ Infrastructure Issues |

CONSULTATIONS SUBGROUP

- Stakeholders Outreach Mechanisms

The consequences of the measures required to meet Canada's commitment to the Kyoto Accord could have a significant impact on the Atlantic Region economy. The APTC will continue to participate in this initiative and raise awareness of the issue among the business community and governments in Atlantic Canada.

NATIONAL HIGHWAY PROGRAM

Toll Highways

The debate over highway tolls raged on throughout the year in Atlantic Canada. The debate was centered around tolls proposed for New Brunswick's Moncton-Fredericton highway project. The issue generated substantial emotion and volumes of information and misinformation from both sides.

The issue essentially arose due to the desire of the provincial governments to accelerate construction on badly needed highway improvements within the region to address a number of safety and efficiency problems. This desire for accelerated construction, along with provincial government budgetary constraints (and a lack of a national highway-funding program), led to an examination of alternative financing arrangements and public-private partnership options.

The APTC fully supports the provinces in their program to upgrade Atlantic Canada's highway network. A long-term, federal-provincial national highway agreement with substantial funding from the federal government would have avoided the need for tolls in Atlantic Canada. The APTC is also concerned over the transfer of control of such important and fundamental infrastructure from the public to the private sector. Long-term operation and maintenance decisions will now be made according to the terms of the contract in the best interests of the shareholders rather than the public. In many instances, both interests will be similar; however, examples have already surfaced which reflect this dichotomy of views. The APTC has also expressed concern that these public-private arrangements resulted in a net outflow of capital from Atlantic Canada as the ownership of the private partnership is largely held outside the region.

In relation to the current situation in New Brunswick, the APTC feels that a more progressive and flexible toll structure that includes such features as discounts for volume users and for electronic toll collection would be preferable. The APTC also supports the view recently expressed by the Honourable Sheldon Lee, New Brunswick's Minister of Transportation, that Canada's main east-west highway, the Trans Canada Highway, should be free from tolls and that the

federal government should make a significant financial contribution to the highway system in Canada.

The APTC will continue to urge the federal and provincial Ministers responsible for transportation and finance to reach an agreement on a long-term funding program for the National Highway System which will eliminate the need for tolls on Canada's main east-west highway and remove those tolls which currently exist.

Auditor General's Report

In a report released December 1, 1998, Auditor General Denis Desautels stated he believed that Transport Canada's performance in managing and administering its highway investments shows major weaknesses.

The report revealed that during the past 10 years, Transport Canada has spent approximately \$1.6 billion on provincial and territorial highways. At the time of the audit, Transport Canada was involved in 24 multi-year, cost-sharing agreements with provinces and territories, largely under seven separate highway investment programs. Federal expenditures under these programs averaged more than \$200 million annually over the past five years. Spending is expected to decline to an average of \$150 million per year through 2001.

The Auditor General made a number of observations and recommendations. The report noted that the federal government has a national policy on highways, which is 25 years old. This 1974 policy has never been amended or updated to reflect the concept of a National Highway System as defined in 1988. The policy also fails to reflect many other more recent events in highway transportation such as elimination of transportation subsidies and the emergence of alternative financing arrangements. The Auditor General pointed out that, without an up-to-date national highway policy, there is a lack of relevant, adequate guidance for establishing and managing Transport Canada's highway investment programs.

The objective of the audit was to examine Transport Canada's performance in managing, administering and reporting on its highway investment programs and initiatives over the past five years. The report concluded that during that time Transport Canada spent over \$1 billion on provincial and territorial highways through a series of ad hoc highway investment programs. At the conclusion of the audit, most of the funding approved under the programs had been spent. There is considerable pressure by the provinces for the federal government to renew and confirm its involvement in highway investments. To the extent that Transport Canada provides information in support of such decision making, it needs to ensure that the information is accurate, considers the potential environmental impacts and also considers the potential implications of alternative financing arrangements for future federal involvement in highways.

The audit of the department's management and administration of programs revealed many potential weaknesses that may need attention to ensure that the interests of the public are protected if existing programs continue, and in the event that new programs are established.

Overall, the Auditor General found that Transport Canada has managed and administered its highway investment programs more as grant programs than the contribution programs they are. That it has failed to exercise the controls entrenched in the agreements under which these investments were made. Also, that the department has provided very few resources to manage and administer the programs, and little or no support to guide and facilitate the work. Although the department has improved its accountability reporting on the level of highway spending, it has failed to discharge its leadership responsibility to coordinate information for the government on federal highway spending overall.

The federal funding has usually been diverted from other transportation programs. Little "new" money has been involved. The APTC believes that the federal government should contribute substantial funding to a national highway program developed in conjunction with the provinces. Also, given the substantial revenue the federal government currently derives from the highway system, the federal commitment should come from its existing revenue base with no new or increased taxes or user fees imposed.

The APTC will continue to encourage the federal government to reach agreement with the provinces on the establishment of a new national highway policy and a long-term program to support a National Highway System in Canada.

National Highway Policy Study Update Report

On December 16, 1998, the Chair of the Council of Ministers Responsible for Transportation and Highway Safety, the Honourable Sheldon Lee, Minister of Transportation of New Brunswick, announced the release of three reports detailing the condition of Canadian highways and the benefits of highway investment to the economy.

Undertaken jointly by the federal, provincial and territorial transportation departments, the National Highway Policy Study report updates work originally undertaken in the late 1980's to determine the costs of improving the condition of, and reducing congestion on, the 25,000 kilometer network of key inter-provincial and international road linkages.

The reports are:

- The National Highway System: Condition and Investment Needs Update 1997;

- The Economic Context of an Efficient National Highway System: A review of the Literature and International Experience September 1998 (includes a separate Executive Summary and Annotated Bibliography);
- Highway User Benefits Analysis of the National Highway System (includes a separate Appendix).

The key findings of the study were:

- Governments have invested over \$8 billion in capital improvements and \$3 billion in maintenance in the National Highway System since 1988; annual expenditures are currently twice the levels reported in 1988.
- While increased investment has corrected some of the deficiencies in the system, overall, the state of the National Highway System has not improved since 1988. When measured against the minimum design and operational criteria set in 1988, the length of the system with deficiencies in the areas of pavement roughness, operating speed/capacity has increased about 30%.
- The estimated cost of correcting all current deficiencies of the National Highway System is \$17.4 billion (1997 dollars). Departing from the procedure used in 1989, this updated estimate includes costs associated with required capacity improvements on existing freeways having 4 or more lanes.
- While estimated needs have dropped slightly in eastern Canada, cost estimates in central and western Canada are generally 30% to 50% higher than the estimates prepared in 1989.
- The impacts and benefits associated with an upgraded National Highway System (NHS) have increased significantly, due in large part to increasing congestion on key linkages in the system. Over a 25 year horizon, the expected present value of benefits of the NHS investment program were estimated to exceed \$30 billion, comprising:
 - \$22.0 billion in travel time-savings
 - \$5.8 billion in highway safety improvements
 - \$2.9 billion in reduced vehicle operating costs
 - \$1.3 billion in network benefits
- Using a 25-year horizon for evaluation of benefits and a 5% discount rate, the expected net present value of investing the required capital in upgrading the National Highway System was estimated to be in the order of \$13.1 billion.
- Reduced congestion and improved highway standards could be expected to reduce the number of fatal traffic accidents by approximately 247 per year and injury accidents by approximately to 16,000 per year.

- Reduce fuel consumption by up to 236 million liters per year.
- A review of literature and international experience provides strong evidence that investments in highways can generate significant productivity growth and support economic development.
- The findings of the reviews of the literature and international experience go far in explaining why nations which are major competitors of Canada are allocating increased funding to highway construction and maintenance to support economic growth.

AIR SERVICE IN ATLANTIC CANADA

International Air Carrier Access

The issue of international air carrier accesses to Atlantic Region airports continued to generate discussion during 1998. The APTC continues to seek the elimination of economic controls on air carriers. Market conditions should be the primary determinant of the location and frequency of air carrier operations. This issue is increasing in importance as the federal government continues to commercialize and privatize airports throughout Canada.

Local airport authorities must be provided a reasonable opportunity for successful long-term financial and operational management of their facilities. This includes the freedom to market their facilities and attract new services to their facilities. This can only be accomplished by the elimination of the federal government's economic market controls on air carriers. Federal government regulatory activities should be focused on air carrier safety.

The APTC particularly objects to those portions of Canada's International Air Policy which prohibit an international carrier from establishing a service when a Canadian carrier expresses "an interest in serving a particular market", and which limit service to a twice-weekly frequency.

In April of 1998, federal Transport Minister David Collenette initiated a review of Canada's international charter passenger air service. The review was in response to concerns expressed by many organizations, including the APTC and the Tourism Industry Association of Canada. These organizations called upon the federal government to accelerate the process of air liberalization, create regulations that respond to the needs of travellers, respond to current market conditions, and are reasonable and easy to understand.

Also, in May, the Minister announced a new policy for International All-Cargo Charter Air Services. The new policy allows several shippers to charter

space on an all-cargo aircraft. Freight forwarders are now able to act as charters and resell space on all-cargo flights to other shippers. The policy had previously reserved multiple shipper and freight forwarder cargo for the scheduled international air carriers.

The APTC will continue to encourage the federal government to eliminate economic regulation of international air services and allow market forces to establish the level and frequency of service provided.

Atlantic Canada Airports Association

The APTC was approached early in 1998 by several local airport Managers and others involved with airport management in Atlantic Canada to help address a problem which emerged as a result of the airport privatization process. As airports came under local control, a number of support services provided by Transport Canada disappeared. These included communications, management information, and networking support among a number of others. It became clear that communications and information exchange were critical factors for the efficient operations management of airports.

The APTC was asked to assist with the background work and determine the level of interest in establishing a regional airport association. A very positive response was received from many airports in Atlantic Canada. An initial meeting was held in Halifax in September, 1998, at which time it was decided to create the Atlantic Canada Airports Association. The Association seeks to promote the safe, efficient and sustainable operation of airports in Atlantic Canada. Among other objectives, the ACAA will provide a forum for members to discuss common issues; exchange information and provide networking opportunities for members; provide education and training opportunities and engage in joint purchasing and marketing activities.

A small committee was established to draft by-laws for the Association, establish a membership fee structure, and deal with a number of issues related to incorporation and operations of the Association. The committee completed its work late in 1998 and a meeting was held in early 1999 to formally elect the first Board of Directors. This Board consists of Alyre Boudreau, Bathurst Regional Airport; Roger Mombourquette, Sydney Airport Authority; Tom Capstick, Slemon Park Airport; Rex LeDrew, St. John's International Airport; Rob Robichaud, Moncton Airport Authority; Larry Pittman, Goose Bay Airport Corporation; and Denis Rodgers, Halifax International Airport Authority.

Air Carrier Consolidations

Talks between Air Atlantic and Canadian Airlines to renew their commercial agreement broke down in August, 1998, following months of negotiation. Consequently, Air Atlantic ceased to operate as a regional air carrier on October 25, 1998, and its operations were taken over by Inter-Canadian Airlines of Montreal. Inter-Canadien was an operating subsidiary of Canadian Regional Airlines.

IMP Ltd. of Halifax, which had purchased the airline in 1995, owned Air Atlantic. The regional carrier had suffered years of financial turmoil. Its commercial agreement with Canadian expired in April, 1998, but a six-month extension was signed while talks continued. Following termination of service, Air Atlantic liquidated its fleet of Dash-8 and BAe-146 aircraft. Some of Air Atlantic's former employees were absorbed by Inter-Canadien.

In September, Canadian Regional Airlines announced the sale of its subsidiary, Inter-Canadien, to Canadian Investors Corporation of Toronto. The sale included Inter-Canadien's route structure in Ontario, Quebec and Atlantic Canada. This effectively consolidated Canadian Airlines' regional operations in Eastern Canada under a single operating company.

In November, Air Nova and Air Alliance, wholly owned subsidiaries of Air Canada, announced their intention to consolidate operations into one airline early in 1999. The consolidated service operates under the Air Nova name and maintains a route network in Ontario, Quebec and Atlantic Canada with Dash-8 and BAe-146 aircraft. Subsequently, Air Nova announced that discussions were underway with Air Ontario to consolidate their operations with those of Air Nova and create a regional airline in Eastern Canada.

These consolidations were of no surprise to the APTC. An examination of trends in air passenger traffic over the previous 15 years revealed small regional markets in Atlantic Canada and Quebec, which exhibited little or no growth. Some form of rationalization to achieve economies of scale was inevitable in the regional airline industry. However, the APTC does note that in the case of Air Atlantic/Inter-Canadien, the consolidation resulted in the administration and decision making being removed from the region. In the long term, this may affect service decisions as they relate to Atlantic Canada.

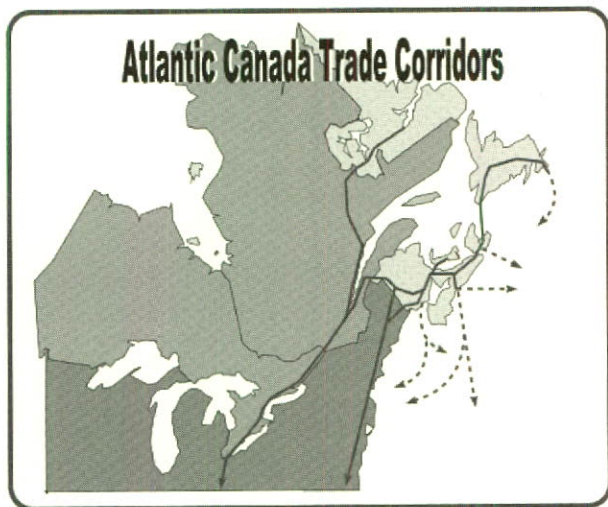
TRADE CORRIDORS

The large increase in trade between Canada and the United States, resulting from the NAFTA agreement, has created huge increases in the volume of truck and rail traffic in both countries. A large percentage of this traffic is carried over a relatively few specific routes or trade corridors. Congestion and infrastructure deficiencies have resulted. A number of initiatives are underway to resolve these problems, including the application of intelligent transportation system technologies. These technologies are being applied to improve the flow of goods and passengers and reduce delays at border crossing points and along trade corridors.

Significant investment has been made in research and development of intelligent transportation technologies and the implementation of some systems have begun. The use of electronic data interchange and improved communications technologies to improve clearance of vehicles and goods at border crossings and provide shippers the ability to track their goods in transit will be the norm in just a few short years. Highway safety will be improved by the ability to electronically exchange driver and vehicle information among the many highway jurisdictions along the trade corridors.

Trade corridors important to Atlantic Canada have been identified in *Map 1*.

Map 1



Due to the relatively small size of the Atlantic Canadian marketplace, implementation of these intelligent transportation systems will require the cooperative efforts of shippers, carriers and government agencies in the region.

The application of technologies appropriate to the traffic levels and infrastructure in the Atlantic Region will require significant planning and discussion. As the implementation of these systems takes place in other regions, Atlantic Canadian carriers and shippers will find themselves at a competitive disadvantage until they have access to these technologies.

Conference in Halifax

The APTC, with the assistance of the Atlantic Canada Opportunities Agency, held a one-day workshop in Halifax on February 13, 1998, to provide the opportunity for Atlantic Region shippers, carriers, government agencies and other interested persons to learn about intelligent transportation technologies. This workshop identified the trade corridors to and from the Atlantic Provinces, provided an overview of the intelligent transportation systems, and introduced the leaders in the development and implementation of these systems.

The workshop featured the following presentations:

- *Intelligent Transportation Systems*
Joseph K Lam, Chairman, ITS Canada
- *Trade & Traffic Across the Eastern Canada - US Border*
Irving Rubin, Executive Director
Eastern Border Transportation Coalition
- *Avion/Advantage I-75 Project*
Bill Kmet, Project Manager, Ontario Ministry of Transportation
- *I-95 Corridor Coalition*
Al Karoly, Transportation Planning, Highway Safety &
Traffic Eng., New York State Dept. of Transportation
- *Commercial Vehicle Information Systems & Networks*
Ken Jennings, Virginia Department of Transportation
- *North American Trade Automation Prototype*
Tim Hunt, Project Manager, Canada Customs
- *Maine Office of Freight Transportation*
Kevin Rousseau, Transport Planning Analyst
- *Transport Canada*
Brian Hicks, Senior Policy Advisor

Draft Proposal for Council

In the past five years, the concept of trade corridors has taken hold across North America. The concept of trade corridors views the movement of people and goods along their entire journey: how they move, by which mode (road, rail, marine, air); which geographic routing they follow; why they move and when

they move. A system view is taken, ignoring traditional boundaries, and recognizing that local factors impact the movement of people or goods over the entire length of their journey from origin to destination. Local factors are then examined with the aim of removing impediments (infrastructure, institutional or process) and introducing greater efficiency into the system as a whole. Economic activity and tourism opportunities that flow from both the existing movement of people and goods and the improved efficiency of the system are then identified and pursued.

Because the movement of people and goods normally ignores traditional jurisdictional boundaries and flows along corridors, a system view is required. Developing trade corridors requires extensive long range planning. Jurisdictional authorities, in order to make the system work better, will need to interact with those in neighboring jurisdictions to achieve a common result.

The APTC has undertaken as its number one priority the establishment of an organization in Atlantic Canada to properly deal with many complex trade, tourism and transportation issues related to NAFTA trade corridors. The APTC commenced the circulation of a proposal to create an Atlantic NAFTA Trade Corridors Council and will be promoting its creation over the coming months. The opportunities, which can result from the use of trade corridor strategies, will significantly increase economic activity in Atlantic Canada. The APTC will do everything it can to pursue those opportunities.

At year-end, the APTC and the Atlantic Provinces Chamber of Commerce were in the process of conducting a series of information sessions and presentations concerning Atlantic Canada's Trade Corridors.

The sessions will provide an overview of trade corridors, discuss trade corridor strategies, review the current status of Atlantic Canada's Trade Corridors and identify opportunities and projects related to the trade corridor currently underway. The information sessions should be of interest to those involved in economic development, tourism, trade and transportation.

Presentations are being scheduled in communities throughout Atlantic Canada and for trade associations and other interested groups.

Maine East-West Highway

The concept of an east-west highway from the Maine-New Brunswick Border near St. Stephen/Calais, through Maine to Sherbrooke, PQ, was revived in 1998. An interested group of supporters from Maine, the East-West Highway Association, sensing that the political climate in the US was more favorable than had previously been the case, stepped-up their lobbying efforts in support of such a highway.

Information sessions and presentations on the proposed east-west highway were held in St. Stephen in June and in Saint John in October, 1998. The proposal would see a four-lane, limited access highway costing approximately \$1.3 billion, constructed across Central Maine. Two routing options are available: one would see the highway head toward Sherbrooke, PQ; while the second option would take the highway in a more westerly direction towards Burlington, VT, and Interstate 89.

The Maine State Department of Transportation began a study into the options for the east-west highway. Among other matters, the study will look at:

- (a) Comprehensive plan to reconstruct to current standards existing east-west highways and highways that provide direct access to Canada.
- (b) Plans to expand highway capacity to a four-lane, limited access highway, including cost estimates, routings, improved schedules, and environmental, community and economic issues.
- (c) Explore funding options.

In addition, the Maine State Planning Office, in conjunction with the Departments of Transportation and Economic & Community Development, began a study into the economic and trade opportunities that would result from the proposed highway. These reports are due to be completed in March, 1999.

This proposal includes portions of highway in the State of Maine which are vital links in Atlantic Canada's NAFTA Trade Corridor, in particular, that portion of Route 9 between Calais and Bangor, ME. The State of Maine has spent approximately \$45 million (US) in recent years to improve this critical link on our trade corridor. However, it remains a congested two-lane highway with significant urban development at either end. The increased trade between Atlantic Canada and the US has resulted in additional commercial traffic growth on this route. Manufacturers and producers in Atlantic Canada rely on this route to access the US marketplace. Any improvements in safety and efficiency of this route will greatly impact Atlantic Canada. This route is also a major access for US tourists entering Atlantic Canada.

The planning process and approval process for highway construction in the US and the State of Maine is lengthy and substantially different from that in Canada. The East-West Highway Association is hoping that the process is sufficiently advanced that the project will become eligible to receive funding under the next US reauthorization of their transportation legislation in 2004. Once funding is obtained, a five-year construction period is estimated.

The APTC has been and will continue to work with and support the efforts of the East-West Highway Association and the Maine Department of Transportation to improve the safety and efficiency of Atlantic Canada's trade corridor routes.

AIRPORT PRIVATIZATION IN ATLANTIC CANADA

The federal government continued with its policy of commercialization and privatization of the airports in Atlantic Canada during 1998. A number of airports completed the transfer process and operations were taken over by a local airport authority. Other airports were at various stages in the privatization process (see page 4).

The privatization/commercialization initiative will give local communities greater input into the operation and marketing of their local airport. However, for those smaller airports, the long-term operation and financial future will depend upon the municipal tax base and user fees. The federal government has a small Airport Capital Assistance Program in place to assist with safety related improvements. This program has a maximum funding available of \$35 million per year. This limited fund must be spread over an ever-increasing number of airports as the privatization process continues.

The APTC is supportive of the concept of providing greater local input into the operation and marketing of airports. However, in the relatively small Atlantic Canadian market, which has shown little growth over the past ten years, the long-term future of smaller community airports is less certain. As the scheduled carriers consolidate their operations into larger regional units, it will become increasingly difficult for small Atlantic Canadian communities to maintain their air services and airports.

MOTOR VEHICLE TRANSPORT ACT REVIEW

The Minister of Transport released a discussion paper and requested comments on the Motor Vehicle Transport Act in 1997 (see *Atlantic Transportation Review 1997*). Following the receipt of comments and submissions, the Minister released a position paper seeking further input.

The APTC is fully supportive of the elimination of economic regulation of the transportation industry in Canada. We also support the need to ensure the safety of transport operations and facilities in Canada for users, the public and employees. It is very important that uniformity of safety regulations and their enforcement is achieved and maintained. Some federal oversight of safety regulation is required to ensure that the regulations of various jurisdictions do not become barriers to inter-provincial or international trade.

It is the view of the APTC that the current version of the MVTA should be refocused on safety. Given federal jurisdiction over extra-provincial and

international motor carrier operations, there is a continuing need for federal framework legislation **to allow the provinces to regulate** motor carrier safety.

The APTC is opposed, however, to proposals that would include regulation of bills of lading and/or terms and conditions of carriage. A number of fundamental issues concerning this matter remain outstanding. There also must be a demonstrated need to effect change before any action is contemplated.

It is anticipated that legislation to amend the Motor Vehicle Transport Act will be introduced to the House of Commons early in 1999.

CITA/APTC PARTNERSHIP

At a special ceremony in Halifax held on October 14, the APTC and the Canadian Industrial Transportation Association (CITA) participated in the signing of a Memorandum of Understanding to establish a partnership to achieve the most efficient and effective freight transportation system possible for the benefit of the Atlantic Provinces and the Canadian business community.

This partnership will significantly strengthen the advocacy efforts of both organizations on national freight transportation issues and policy matters. It will provide the APTC with greatly increased access to the transportation decision-makers in Ottawa and enhance the opportunities to obtain nationwide support for issues of importance to Atlantic Canada. CITA will benefit by having a strong presence in Atlantic Canada and support from the region when representations on national transportation matters are made to governments. While the APTC reserves the right to represent an independent Atlantic Region view on any matter of national or regional significance, the partnership will present a united front on matters of mutual concern.

This partnership will also allow both organizations to address common concerns with other public and private organizations at both the federal and provincial levels. The complementary nature of the objectives of the two organizations will strengthen their ability to address transportation issues and effect significant change to improve the competitiveness of the freight transportation system serving Canadian business and industry.

APTC/APCC JOIN FORCES

Bren Fahey, Chairman of the Atlantic Provinces Chamber of Commerce (the Chamber), and Jim Cowan, Chairman of the Atlantic Provinces Transportation Commission (APTC), announced the opening of their new joint office in Moncton, NB, on May 1, 1998. While each organization retains its separate Board structure, the sharing of office space and resources brings the strengths of each organization together to better serve business and industry in Atlantic Canada.

The Chamber has been the unified voice of the business community in Atlantic Canada since 1896, addressing regional and national issues and supporting the local Chambers within the Atlantic Region. The APTC was formed in 1925 by the Maritimes Board of Trade and is the primary source for transportation information, analysis and commentary in Atlantic Canada. As each organization began a restructuring process in 1995 to position themselves for the business climate of the new millennium, it became apparent that significant benefits could be achieved for the membership of both the APTC and the Chamber with greater cooperation between the two groups.

The objectives of the Chamber (to establish Atlantic Canada as a world-class economy by the year 2020) and the APTC (to apply innovative transportation technologies in support of economic activity in the Atlantic Provinces) will be enhanced through this closer working relationship.

PILOTAGE REVIEW

On August 25, 1998, Transport Minister David Collenette announced the appointment of the Canadian Transportation Agency (CTA) to conduct a review of Canada's outstanding pilotage issues as stipulated in the Canada Marine Act.

Under the terms of the Canada Marine Act, which received Royal Assent on June 11, 1998, a review must be undertaken in the following areas:

- pilot certification processes for masters and officers;
- training and licensing requirements for pilots;
- compulsory pilotage area designations;
- dispute resolution mechanisms for the provision of pilotage services; and
- measures taken by the pilotage authorities in respect of financial self-sufficiency and cost reduction.

The CTA established a Pilotage Review Panel consisting of Marian Robson (Chair), along with Agency members Jean Patenaude, Keith Penner and Richard Cashin. The terms of reference prescribed by the Minister for the review provided that the Review Panel must convene two national meetings, one early in the review process and one at the end of the review process. As a prelude to any meeting and to set the stage for meaningful discussions, the Panel invited written submissions expressing views or comments on the issues by September 25, 1998.

The Review Panel also planned how it would conduct the review. In addition to two national meetings identified in the Terms of Reference, the Panel planned to hold regional consultations. The initial round would be informal and take place in the fall of 1998, before the first national meeting that was tentatively scheduled for early December, 1998. The second round of regional consultation would be public and would likely take place during the January 1 to March 31, 1999, period. The second national meeting was planned for June, 1999.

The Review Panel subsequently advised that it would be holding an information group session with parties affected by pilotage issues in the Atlantic pilotage region, excluding the Authority and pilot representatives. Everyone was given an opportunity to express individual concerns and exchange information at the first regional meeting held in Halifax on October 21, 1998.

In a letter to the Pilotage Review Panel, the APTC commented on the pilotage issues under review. With regard to *compulsory pilotage area designations*, the APTC reiterated its opinion that there should be a clear separation maintained between the determination of compulsory areas and the Authority which provides the pilotage service. On the issue relating to *measures taken in respect of financial self-sufficiency and cost reduction*, the APTC stressed that most of the pilotage Authorities have done a good job of cost control and achieving self-sufficiency, however, continuing problems remain with the Laurentian Pilotage Authority. The same standards should be applied to all parties. Continued deficits of the Laurentian Pilotage Authority constitute an unfair subsidy by the federal government to a particular group.

In late December, the Pilotage Review Panel released a discussion paper on the Ministerial Pilotage Review which was intended to provide a backdrop for the first national meeting scheduled for January 18 and 19, 1999, in Ottawa, ON.

FINAL OFFER ARBITRATION

The Canada Transportation Act contains protection for shippers from certain actions of rail carriers and provides several remedies. One of those remedies is Final Offer Arbitration. A shipper who is dissatisfied with the freight rate or rates charged by a rail carrier and is unable to resolve the issue with the carrier, may submit the matter to the Canadian Transportation Agency (the Agency) for final offer arbitration.

Two such final offer arbitration cases involving Atlantic Canadian shippers were ongoing during 1998.

In a case that began in January of 1997, Eagle Forest Products of Miramichi, NB, applied for final offer arbitration in respect to rail rates charged by CN on its products shipped to destinations in the United States. The arbitrator decided in favor of Eagle Forest Products. This decision set off a series of legal actions, appeals and complaints by both parties involving the Agency, the Federal Appeals Court, and the New Brunswick Court of Queen's Bench.

In December of 1997, Eagle Forest Products again filed for final offer arbitration in relation to CN's proposal for 1998 rate levels. Also because of the complexity of the case, Eagle filed for an "aware of costs" against CN to recover its mounting legal and other costs associated with these actions. In each of the many actions involved, the Agency has consistently ruled in favor of Eagle Forest Products and, in its decision in May, 1998, ruled that the award of costs was "appropriate and justified". The appropriate procedure was put in place to determine the extent of those costs.

The second case involved an application for final offer arbitration filed by a Mr. Gordon Moffatt concerning quoted rail rates to Newfoundland. The application was originally filed in August of 1997. An Agency decision in May, 1998, cleared the way for the arbitration to proceed but raised a number of issues related to Term 32(2) of the Terms of Union of Newfoundland with Canada and requested comments from interested parties. As a result of comments received, the Agency decided to hold a public hearing into the matter on November 17, 1998, in St. John's. The case was continuing into 1999.

