

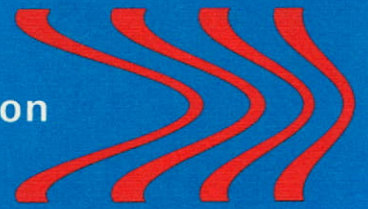
1
9
9
4
•
1
9
9
5

Transportation Review
and
Annual Report

. . . Over 65 Years of Service

JUL 10 1995

Annual Report
MCGILL UNIVERSITY

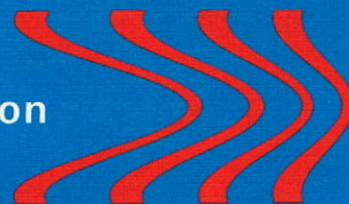


S. IN
X

**Transportation Review
and
Annual Report
for the
Year Ended
March 31, 1995**

The Atlantic Provinces Transportation Commission has offices at Suite 330, 1133 St. George Boulevard, Moncton, New Brunswick. The services of the Commission are available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador.

Atlantic Provinces Transportation Commission



Suite 330
1133 St. George Blvd.
Moncton, N.B.
E1E 4E1

Tel. (506) 857-2820
Fax. (506) 857-2835

*The Honourable Sheldon Lee
Minister of Transportation
Province of New Brunswick
Fredericton, NB*

*The Honourable R. John Efford
Minister of Works, Services & Transportation
Province of Newfoundland and Labrador
St. John's, NF*

*The Honourable Richard Mann
Minister of Transportation
Province of Nova Scotia
Halifax, NS*

*The Honourable Keith Milligan
Minister of Transportation & Public Works
Province of Prince Edward Island
Charlottetown, PE*

Honourable Ministers:

On behalf of the Directors, I am pleased to present the Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1994, to March 31, 1995. This report contains a review of transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers some of the activities of the Commission during the year 1994-95.

Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. In addition, many issues of major importance to the region were addressed this past year by the Commission. This service to the business community and to your governments is possible only through the financial support provided by the Governments of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

Mindful of the investment of public funds in the Commission, I am pleased to report that, in my opinion, the operations of the Commission are conducted in an efficient and business-like manner.

All of which is respectfully submitted.

*Ira Parker
Chairman*

*Moncton, NB
March 31, 1995*

LETTER FROM THE GENERAL MANAGER

The termination of the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act, as announced in the federal budget to become effective July 1, 1995, spells the end of an era. Established in 1927 in response to recommendations of the Royal Commission on Maritime Claims (the "Duncan" Commission) to enable the trade and commerce of the Region to compete in "... the larger markets of the whole Canadian people instead of the restricted markets of the Maritimes themselves . . .", the freight assistance was seen by many as the cornerstone of transportation policy for Atlantic Canada.

Despite widespread support in Atlantic Canada for the ARFA program, there were many, both inside and outside the region, who felt that there is no place for subsidies in a market driven environment and particularly so in the face of government deficits and debt. Many of those opposed to the program had little understanding as to how it applied or its importance to manufacturers and producers in Atlantic Canada. Some opposed it as a matter of principle in the same way that they are opposed to all subsidies to business. Others believed there was wide-spread abuse of the program and resulting distortions in the transportation market.

The APTC, and stakeholders generally, urged the federal government to undertake an objective economic impact analysis of the ARFA program — but to no avail. The full impact of the decision to terminate the program may never be known but it will be substantial, particularly so for the numerous manufacturers and producers who depend on markets in central and western Canada.

The budget decision provides little time for shippers to adjust. In effect, only four months notice was provided leading up to the termination date of July 1, 1995. For those who qualify, the transportation adjustment fund of \$326 million over five years will be of critical importance. It will be incumbent upon shippers to seek out ways of overcoming increases in freight rates stemming from the removal of the subsidies. Any and all measures to reduce costs or achieve productivity improvements and thereby represent long term solutions should be sought. Developing new markets or expanding markets closer to points of production should be pursued as a further means of offsetting the impact of the loss of subsidies.

The APTC will do its utmost by assisting shippers re-evaluate their transportation costs. Shippers in Atlantic Canada are generally well served by competitive transportation options and this should contribute to minimizing the impact of the removal of the freight assistance.

Despite our best efforts, and those of many regional trade associations and individual shippers, the decision of the federal government was not what had been sought and, for some, expected. Whether we like it or not we must accept the decision and do everything within our power to adjust with the least harm to individual businesses and to the economy at large.



Ramsay M. S. Armitage
General Manager

CONTENTS

PAGE

<i>Directors</i>	8
<i>1994-95 Executive Committee</i>	9
<i>Board of Directors</i>	11
<i>Commission Staff</i>	12
<i>Object and Functions of the APTC</i>	13
<i>General Transportation Review</i>	14
• <i>Introduction</i>	14
• <i>Rail</i>	14
• <i>Highway</i>	15
• <i>Air</i>	17
• <i>Marine</i>	19
• <i>Ferries</i>	21
<i>Changing Federal Transportation Priorities</i>	24
<i>Elimination of Transportation Subsidies</i>	25
• <i>Western Grain Transportation Act (WGTA)</i>	25
• <i>Feed Freight Assistance (FFA)</i>	25
• <i>Minimum Compensatory Rates on Canola Products</i>	25
<i>Rail Rationalization</i>	25
• <i>Abandonments</i>	25
• <i>Shortline Railway Developments</i>	26
– <i>Cape Breton & Central Nova Scotia Railway</i>	26
– <i>Windsor & Hantsport Railway</i>	26
– <i>New Brunswick Southern Railway</i>	26
• <i>CN/CP Merger</i>	26
• <i>Task Force on CN Commercialization</i>	27
• <i>Rail Renewal Workshops</i>	28
• <i>Rail Labour Negotiations</i>	28
<i>Newfoundland Terms of Union (ACE Complaint)</i>	29
<i>Newfoundland Monitoring Project</i>	29
<i>Atlantic Region Freight Assistance</i>	29
• <i>Program Termination</i>	29
<i>Highway Issues</i>	31
• <i>NB Legislative Report</i>	31
• <i>National Highway Program</i>	31
• <i>Regional Highway Upgrading</i>	31
<i>Vehicle Weights and Dimensions</i>	32
<i>Transborder and International Air Service Liberalization</i>	33
• <i>Transborder Air Services</i>	33
• <i>International Air Transportation Policy</i>	33
<i>National Airports Policy</i>	34
<i>NTA Decisions</i>	34
• <i>CP Acquisition of Cast</i>	34
• <i>Air Atlantic</i>	35
<i>APTC Strategic Plan</i>	36
<i>Service to Industry</i>	36
<i>Meetings and Conferences</i>	37
<i>Other Activities</i>	37
<i>Commission Directors</i>	38
<i>Acknowledgments</i>	39
<i>APTC Historical Notes</i>	40

APTC DIRECTORS AT MARCH 31, 1995

NOVA SCOTIA

Government

J. Cowan
D. J. MacDougall
I. Parker

Halifax, NS
Halifax, NS
Truro, NS

Atlantic Provinces Chamber of Commerce

J. E. Macdonald
J. H. MacDonnell
R. Wallet

Windsor, NS
Port Hawkesbury, NS
Shelburne, NS

NEW BRUNSWICK

Government

R. Aubé
F. H. Hatfield
D. L. Johnson

Bathurst, NB
Hartland, NB
Fredericton, NB

Atlantic Provinces Chamber of Commerce

B. O'Keefe
D. R. Roberts
J. Wheatley

Juniper, NB
Sussex, NB
Saint John, NB

PRINCE EDWARD ISLAND

Government

M. Bailey
D. A. Scales

Charlottetown, PE
Charlottetown, PE

Atlantic Provinces Chamber of Commerce

G. Key
E. MacDonald

Summerside, PE
Borden, PE

NEWFOUNDLAND AND LABRADOR

Government

W. T. Beckett
E. Hearn

St. John's, NF
Labrador City, NF

Atlantic Provinces Chamber of Commerce

J. S. Hutchings
G. Smith

Corner Brook, NF
St. John's, NF

EX OFFICIO

P. J. Daigle, President, Atlantic Provinces Chamber of Commerce

Moncton, NB

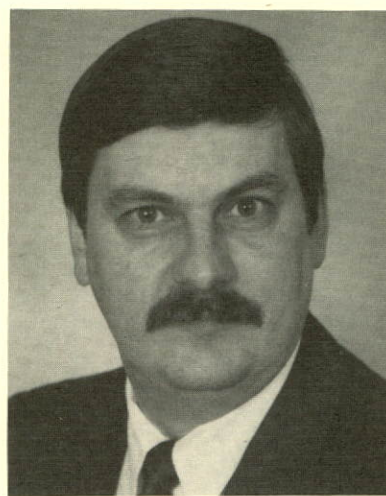
STAFF

Ramsay M. S. Armitage, General Manager
Peter A. Vuillemot, Assistant General Manager
Jack A. MacQuarrie, Transportation & Distribution Officer
Daniel E. Long, Research Analyst
Debbie E. Matchett, Transportation Analyst
Mona E. Savoie, Transportation Analyst
Charles D. Mollins, Information Systems Officer
Sheldon B. Steeves, Administration & Accounting Officer
Cathy E. Peters, Staff Secretary
Laurel B. Cliff, Assistant Staff Secretary

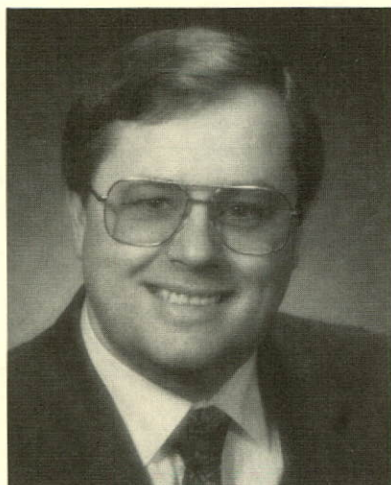
1994 - 1995 EXECUTIVE COMMITTEE



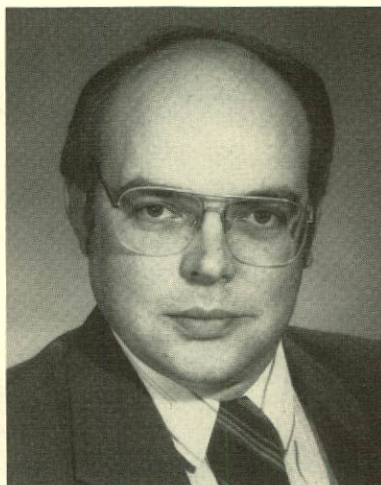
IRA PARKER
Chairman, APTC
Truro, NS



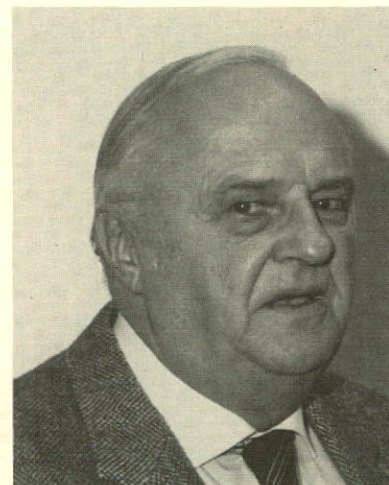
JOSEPH S. HUTCHINGS
Vice-Chairman, APTC
Poole, Althouse, Clarke,
Thompson & Thomas
Corner Brook, NF



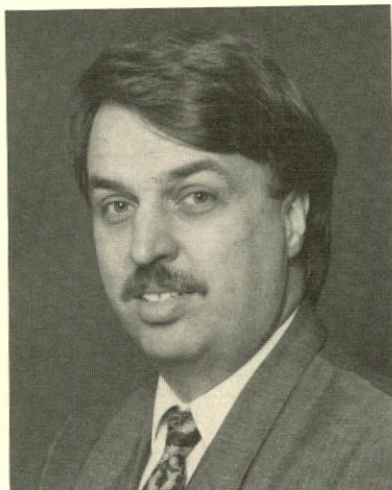
MIKE BAILEY
Director, Policy & Planning
Province of Prince Edward Island
Charlottetown, PE



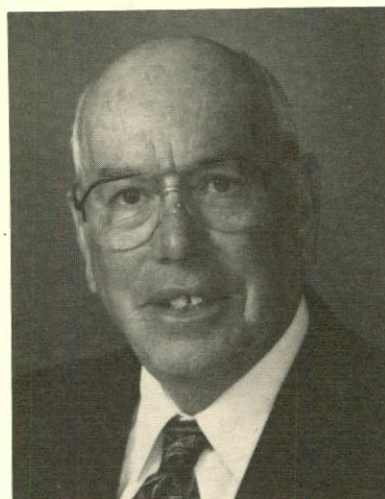
W. TOM BECKETT
Director, Policy & Planning
Province of Newfoundland
and Labrador
St. John's, NF



FRED H. HATFIELD
Hartland, NB

1994 - 1995 EXECUTIVE COMMITTEE

DOUGLAS L. JOHNSON
Director, Transportation &
Communications Policy Branch
Province of New Brunswick
Fredericton, NB



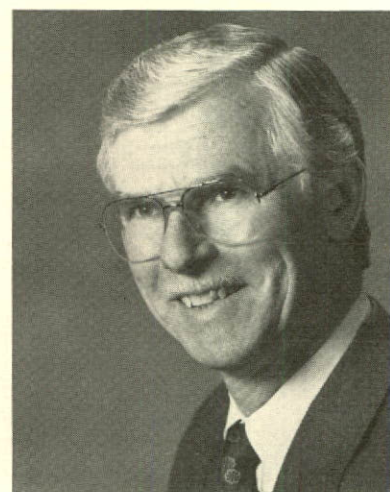
GEORGE KEY
President
JO-EL Investments Ltd.
Summerside, PE



DON J. MacDOUGALL
Director, Transportation Policy
Province of Nova Scotia
Halifax, NS



DAVID A. SCALES
Past-Chairman, APTC
President
Island Fertilizers Ltd.
Charlottetown, PE



RAMSAY M. S. ARMITAGE
General Manager
Atlantic Provinces
Transportation Commission
Moncton, NB

BOARD OF DIRECTORS



Left to Right — Seated: D.R. Roberts, D.A. Scales, J.S. Hutchings (Vice-Chairman), I. Parker (Chairman), F.H. Hatfield, M. Bailey; Standing: J. H. MacDonnell, J.E. Macdonald, D.J. MacDougall, J. Wheatley, E. MacDonald, R. Wallet, W.T. Beckett; Missing From Photo: R. Aubé, J. Cowan, P.J. Daigle, E. Hearn, D.J. Johnson, G. Key, B. O'Keefe, G. Smith

COMMISSION STAFF



Left to Right: Seated - Peter Vuillemot, Ramsay Armitage, Jack MacQuarrie;
Standing - Monna Savoie, Cathy Peters, Dan Long, Sheldon Steeves, Charles Mollins, Laurel Cliff, Debbie Matchett

OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

OBJECTIVE

The objective of the Atlantic Provinces Transportation Commission is (i) to ensure the provision of economic, efficient and adequate transportation services to meet the needs of shippers and thus foster economic development in the Atlantic Provinces; and, (ii) to seek out opportunities to effect economies in the use of transportation by both industry and governments.

FUNCTIONS

Within the context of this objective, the functions of the APTC are:

Advisory

- (a) *To collect and analyze data and suitable reference material to provide clients with information and expertise on transportation and distribution matters.*
- (b) *Circulate information on transportation matters of interest to the Atlantic Region, including rates, service and policy changes.*
- (c) *Assist shippers, receivers and producers of the Atlantic Region with advice on transportation rates, services and other transportation and distribution matters.*
- (d) *Assist carriers in the Atlantic Region when such assistance is consistent with the Commission's overall objective.*
- (e) *Provide advice regarding transportation matters to the governments and government agencies of the Atlantic Provinces, including independent studies on specific issues.*
- (f) *Provide information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy.*
- (g) *Provide information on transportation services and costs covering plant locations in the Atlantic Region for industrial development departments or agencies, their clients, or prospective investors.*
- (h) *Assist shippers, receivers, industry groups and governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal or provincial governments or their agencies.*
- (i) *Undertake such projects related to transportation as may be seen to create benefits from a co-ordinated approach.*
- (j) *Provide educational services on transportation matters to shippers, carriers and other interested parties in the Atlantic Region.*

Advocacy

- (k) *Continually review the transportation systems and the needs of shippers in the Atlantic Region and:*
 - (1) *make recommendations to carriers or their agencies; and,*
 - (2) *make recommendations to provincial or federal governments.*
- (l) *Continually review transportation policies and the regulatory framework governing transportation in the Atlantic Region and make representations to the federal or provincial governments or their agencies.*

The services of the Commission are available by contacting the Commission's office at 1133 St. George Boulevard (Suite 330), Moncton, NB, E1E 4E1. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, Telephone (506) 857-2820, Facsimile (506) 857-2835 (Internet address NSTN1601@fox.NSTN.NS.CA).

GENERAL TRANSPORTATION REVIEW

Introduction

The economic environment facing carriers has dramatically improved over the year in review, with shipment volumes and profitability showing strong gains in most cases.

This year has seen dramatic change at the federal government level. Transport Canada announced plans during the year to commercialize many of the facilities and services it has traditionally owned and operated. These commercialization efforts affect airports, ports and crown corporations. Transport Canada is getting out of the subsidy business. The Atlantic Region Freight Assistance program will be terminated effective July 1, 1995. Also terminated is the Feed Freight Assistance program and, in the west, the Western Grain Transportation subsidy.

Developments in transportation infrastructure hold promise for the region. The fixed link construction continues on target with completion expected in 1997. CN recently opened the Sarnia-Port Huron tunnel which brings the Port of Halifax 12 hours closer to the important mid-west United States markets.

Freight rates, in general, remained stable during 1994. The threat of future rate increases looms with the upcoming termination of the Atlantic Region Freight Assistance program.

Rail

Total rail carload tonnage loaded in Canada increased by 12.7% in 1994 as shown in Table 1. Eastern Canadian loadings increased by

10.1%, while intermodal container and trailer traffic showed increases of 37% and 0.3% respectively.

Financial results of Canadian National Railway for transportation-related services, as taken from the company's 1994 annual report, are shown in Table 2.

Table 2

CANADIAN NATIONAL RAILWAYS (In Millions \$)		
	1994	1993
System Net Profit	245.0	- 79.0
Income From Divisions Before Taxes:		
Canadian Rail Operations	274.0	- 57.0
United States Rail Operations	- 3.0	- 18.0
Source: Canadian National Railway Annual Report		

Payments to railway companies under the Western Grain Transportation Act were estimated to be \$625.9 million (preliminary) for the 1994-95 fiscal year, compared to \$633.0 million the previous year.

VIA passenger service subsidy payments made under the authority of the Minister of Transport were estimated at \$311.7 million for 1994-95. This compares to \$342.7 million for 1993-94.

During the year covered by this report, a number of proposals were put forth regarding the future of CN Rail. CN and CP publicized a proposed merger of their operations east of Winnipeg, as a means of addressing the financial crisis facing the national railways. Merger talks ended unsuccessfully. At issue were differences in the way the two railways valued their assets and operations. As the merger discussions faltered, CP announced that it would prepare a definitive purchase proposal which would be presented to the federal government. CP subsequently presented a \$1.4 billion offer to purchase the rail assets of CN east of Winnipeg and Chicago. This bid was later rejected by the federal government without entertaining any further proposals to purchase the government owned railway. The government indicated that the biggest problem with CP's offer was that it would have left much of the country with a single railway operation.

Table 1

RAILWAY CARLOADINGS (Tonnes '000)			
	1994	1993	% Change
Carload Traffic Loaded	110,160.9	100,035.0*	10.1
- Eastern Division			
Carload Traffic Loaded	142,788.3	124,345.4*	14.8
- Western Division			
Carload Traffic Loaded	252,949.2	224,380.4*	12.7
Non-Carload Traffic Loaded	14.4	28.4	- 49.3
Containers on Flat Car Loaded	11,683.8	8,528.0	37.0
Trailers on Flat Car Loaded	3,687.4	3,678.1*	0.3
* Revised figures			
Source: Statistics Canada Railway Carloadings December, 1994, Catalogue 52-001			

The federal government initiated a Task Force on the Future of the Canadian National Railway System which released its report in January, 1995. The report recommended full commercialization of CN as a coast-to-coast, main-line rail operation. The Task Force recommended that the federal government, not the rail operators, should assume the responsibility of maintaining the public policy role necessary to achieve national and regional objectives. The report noted that public policy should be accomplished separately from commercial operations of CN through provisions of the National Transportation Act. The February, 1995, federal budget reflects the government's intention to commercialize the railway.

Short line rail operations were expanded during 1994-95. The Cape Breton and Central Nova Scotia Railway completed its first full year of operating on the former CN line between Truro and Sydney. Reports indicate that the railway has had a very successful year. More recently, the former CP assets between Saint John, NB, and Brownville Jct. were transferred to the Irving-owned New Brunswick Southern Railway. As well, the lines between Brownville Jct. and Sherbrooke, PQ, were transferred to the newly created Canadian American Railroad Company owned by the US shortline operator Iron Road Railways. Another former CP Rail operation, the Windsor and Hantsport Railway, is operating between Windsor Jct., NS, and New Minas, NS. The major commodity on the line is the gypsum traffic moving between Windsor and Hantsport. However, reports indicate that traffic involving other commodities has increased since the rail line first began operation in August, 1994 (see page 26 for further details).

During 1994, in anticipation of shortline railway operation in New Brunswick, the provincial government passed the New Brunswick Shortline Railways Act to provide the legislative framework for shortline railways established before, on or after the commencement of the Act. As of this writing, the Act has not been proclaimed. The Nova Scotia Railway Act, passed in the fall of 1993, has also not yet been proclaimed into law.

During mid-year, the Canadian Labour Relations Board ruled that the Cape Breton and Central Nova Scotia Railway is a provincially-incorporated enterprise, not a federal undertaking. Because of this ruling, the operator of this

shortline (Railtex) is not required to recognize the past collective agreements of the Canadian National Railway Co., the previous owner of the line. This ruling is extremely important for the future of shortline operations in the region and throughout Canada as shortline operators rely on lower cost and more flexible labour agreements to survive. This ruling is being appealed by railway labour unions.

Rail labour costs were the focus of a report prepared to inform Transport Canada on the conditions of work in the railway industry, entitled *Final Report on Conditions of Work in the Railway Industry*. The report concluded that generous labour contracts and out-of-date work practices are costing Canadian railways millions of dollars each year.

During 1994, work continued on the Sarnia-Port Huron Tunnel. The new tunnel, operational in April, 1995, will permit continuous double-stack service over CN's strategic gateway between eastern Canada and Chicago. The tunnel will permit reduced transit times of up to 12 hours between Halifax and Chicago.

A week-long national rail strike occurred in March, 1995, shutting down all of CN's operations for that period. The railways are seeking labour concessions. These concessions are considered vital to the success of the commercialization process for CN (see page 28 for further details).

Highway

The Atlantic Provinces Trucking Association (APTA) *Application to Appeal a decision to increase certain bridge tolls* to the Supreme Court of Canada was denied. As outlined in the *1993-94 Transportation Review and Annual Report*, a decision by the Nova Scotia Utility and Review Board approved an average of 76.5% increase for various classes of heavy trucks using the two bridges connecting Halifax and Dartmouth. In December, 1993, the case was heard by the Nova Scotia Court of Appeal; however, the Court upheld the earlier decision.

The Supreme Court gave no reason for denying the appeal application. This step brings to an end the legal avenues open to the APTA.

Following the release of the New Brunswick white paper, entitled *Highways for the Next Century*, in the fall of 1993 and a subsequent Legislative Committee report on comments regarding the white paper, the provincial government issued new trucking standards to be effective July 1, 1994. The purpose of the new weight and dimension regulations was to improve safety standards and protect New Brunswick's highway system. The standards included the following provisions:

- *all tandem axle groupings standardized at 18,000 kg and tridem and triple-axle groups will be permitted up to 26,000;*
- *drop in special tolerance for raw forest products;*
- *increase in allowable length of tractor twin-trailer configurations from 23 to 25 metres (effective June 1, 1995); and,*
- *effective January 1, 2005, liftable axles on trailers will not be recognized for weight purposes.*

Discussions continued throughout the year in review through the Eastern Provinces Task Force on Vehicle Weights and Dimensions, which was established under the auspices of the Transportation Association of Canada to pursue harmonization of vehicle weights and dimension regulations. The Task Force comprises the four Atlantic Provinces, Ontario and Quebec. Agreement has been elusive; however, discussions continue in the hopes of attaining uniformity of weight and dimension regulations for major tractor and trailer configurations utilized in eastern Canada.

On January 1, 1995, significant reforms to the motor carrier industry in the United States became effective. The amendments to the Hazardous Materials Transportation Act eliminated an Interstate Commerce Commission (ICC) requirement that trucking companies file rates and removes a shipper's legal responsibility to pay filed rates. Carriers are still permitted to collectively set rates; however, they will not have to file the rates or charge customers the rates on file.

During 1994, the employees of CP Express and Transport purchased substantially all of the outstanding shares of the company from Canadian Pacific Limited (see *1993-94 Transportation Review and Annual Report*). Following completion of the transaction, the firm changed its

name to *Interlink Freight Systems Inc.* in early 1995.

As reported in the last annual review, Transport Minister Doug Young noted the need for a suitable funding formula between Ottawa and the provinces to upgrade the national highway network. In December, 1994, Mr. Young announced that, due to severe fiscal restraint, the federal government was not in a position to take any action that would require new program spending. The Minister noted however, that he was willing to consider initiatives with individual provinces involving the upgrading of the national highway system within their boundaries. The national highway system includes the Trans-Canada Highway, as well as major intercity highways and major links to the United States.

The Prince Edward Island government announced the repeal of the Motor Carrier Act effective January 1, 1995. It is no longer necessary for carriers to hold a Motor Carrier Authority in Prince Edward Island.

The New Brunswick government has introduced legislation to eliminate the 1995-96 motor carrier fees and the Motor Carrier Board effective May 15, 1995. There will be no fee increase for the motor carrier industry to offset the loss of revenue to the province from the elimination of motor carrier fees. The *1993-94 Transportation Review and Annual Report* noted that, in 1993, New Brunswick had announced the termination of motor carrier fees for the 1993-94 year. The original plan to terminate the fees was delayed as necessary legislation to enact the changes had not passed into law in time for the 1993-94 licensing year.

On June 30, 1994, Nova Scotia amended its Motor Carrier Act by removing all provisions involving motor carriers. Only the bus provisions remain in the Motor Carrier Act. This means there is no longer the need for a Motor Carrier License for the for-hire carriage of freight in the province. Regulations pertaining to bills of lading and insurance are now included in the Motor Vehicle Act for Nova Scotia.

The fixed link to Prince Edward Island is proceeding on schedule with completion expected in 1997. In April, 1994, the amendment to the Constitution updating the reference to year round "steamship service" was proclaimed, eliminating the final legal hurdle facing the project.

Air

The air transportation system in the Atlantic Provinces experienced a number of changes in the past year. The economic hardship which has been mounting in the last few years resulted in the demise and restructuring of a number of regional carriers. Despite the crisis being faced by the industry, some positive initiatives continued to be experienced. Most regional airports experienced slight increases in passenger volumes, improvements continued at regional airports and new services were introduced.

Some of the changes, both positive and negative, included:

- *Air Nova commenced a non-stop service between New Brunswick and New York City on June 18, 1994. The flight operates as a non-stop daily service between Saint John and Newark International Airport. The flight also links Moncton and New York with daily one-stop same plane service. Through a commercial arrangement with Continental Airlines, the above noted service connects with Continental flights to more than 120 cities throughout the United States, as well as Mexico City and several other destinations.*
- *A new service with a new name was launched in Newfoundland. Air Labrador, formerly Labrador Airways, began a full in-flight service daily to and from Labrador with improved connections for coastal destinations utilizing a 36-seat turbo-prop aircraft. The full service flights provide Labrador with the same level of airline service as is provided elsewhere in Newfoundland and the country as a whole.*
- *Provincial Airlines (PAL) inaugurated services between five coastal Labrador locations and other destinations in Newfoundland served by the airline. The Labrador communities of Mary's Harbour, Fox Harbour, Port Hope Simpson, Charlottetown and Cartwright are now connected to St. Anthony. Passengers travelling to the Northern Peninsula and Labrador destinations are able to take advantage of an early-morning service from St. John's. As a result of this expansion, scheduled service is available from points on the Northern Peninsula to Deer Lake and on to Sydney and Halifax.*
- *On October 5, 1994, Provincial Airlines also established a five-day per week air service to the town of Churchill Falls, Labrador. The service originating St. John's through St. Anthony, Blanc Sablon, Goose Bay to Churchill Falls utilizing a Fairchild metroliner pressurized aircraft.*
- *Air Nova and Provincial Airlines Limited signed a commercial agreement on February 19, 1995. As a result of this new agreement, Provincial Airlines will be operating its scheduled passenger services as of April 2, 1995, under the name of Interprovincial. Interprovincial and Air Nova will provide passengers with improved frequency and routing within Newfoundland.*
- *Air Atlantic filed for protection under the Bankruptcy and Insolvency Act from its creditors on May 10, 1994. The move was made to prevent creditors from seizing company assets for non-payment of loans. The court subsequently granted Air Atlantic six months to prepare a business plan and restructuring proposal. During that time the airline continued to fly. Effective with February 1, 1995, the company was financially restructured as Air Atlantic (1995) Ltd. retaining the trade name Air Atlantic (see page 35 for further details).*
- *In June of 1994, the New Hampshire-based regional airline, Northwest Airlink, which connected Fredericton, Saint John, Moncton and Charlottetown with Boston, ceased operations after it was denied bankruptcy protection in the United States. The company had been operating under Chapter 11 of the US Federal bankruptcy code since May 28, 1994.*
- *In September of 1994, Business Express Inc. commenced service between Moncton/Saint John and Boston. Business connects with Delta Airlines.*
- *In August, 1994, Atlantic Island Airways, based in Summerside, established an air service to Stephenville and St. John's, as well as Sydney and Toronto. One week before Christmas, however, the federal Department of Transportation grounded their only aircraft over an air-worthiness directive. The airline shut down its operation on December 21, 1994.*
- *In September 1994, Air Canada purchased 24 50-passenger Canadair regional aircraft. The jet has been used on existing international flights (e.g., Halifax/Boston). More recently,*

its aircraft has been introduced to domestic routes such as Saint John/Toronto. Air Canada has announced plans to extend all flights from New Brunswick to Toronto to "non-stop" status, while increasing the number of daily flights between Saint John and Toronto from two to three. The new regional jet will be utilized on these routes.

- Air Atlantic ordered 10 Jetstream Aircraft Ltd. J41 aircraft in early March, 1995. Plans are to have five of the 27-set turbo props begin passenger service in mid-April, with the remaining being delivered in 1996/1997. Air Atlantic will be the launch customer of this aircraft in Canada which will replace their Dash-8 aircraft.
- In a March, 1993, commercial contract with Air Atlantic, Canadian International agreed to serve St. John's, Deer Lake, Goose Bay and Wabush until September 11, 1994, at which time Air Atlantic would expand its service to include these routes. At the request of Air Atlantic, this agreement was extended during Air Atlantic's restructuring. When this process is completed, Canadian will evaluate its role in these markets.

Table 3 shows air passenger and cargo statistics for the years 1993 and 1994. Most regional airports experienced slight increases in passenger volumes in 1994 as compared to 1993.

As in previous years, total cargo figures shown in Table 3 are understated, as only dedicated freight services are recorded. Courier services and belly freight which account for the majority of air cargo passing through regional airports are not recorded by site. The forecasted reductions reported by Transport Canada at regional airports such as Moncton and Halifax are misleading in that the discontinuance of Air Canada's DC-8 freighter service in March of 1994 (as reported last year) eliminated cargo records of this traffic.

On April 27, 1994, American Airline's parent company, AMR Corp. of Dallas-Fort Worth, TX, and PWA Corporation, parent of Canadian Airlines International, signed an agreement that included an American Airlines investment of \$246 million into Canadian Airlines in exchange for 25% of voting shares. In turn, Canadian Airlines paid \$115 million for computer technology services using American's Sabre res-

ervation system. The agreement also involves joint marketing initiatives. In the later part of 1994, Canadian Airlines International switched to the new computerized reservations system.

In the spring of 1994, a new 18-month marketing agreement was signed between the Nova Scotia Department of Economic Development and Tourism and KLM, Royal Dutch Airlines. The agreement will see the department invest \$1.5 million in accessing KLM's extensive marketing network throughout Europe for the purpose of generating higher levels of tourism, lift capacity, and interest from other international airlines. For its part, KLM will assist in promoting Nova Scotia in key European markets through introductions to influential operators, assistance at trade shows, meeting facilitation, market intelligence, translation services, identifying leads, coordinated marketing efforts, and assisting the provinces's exporters.

In early October, Air Nova and its parent, Air Canada, unveiled Air Nova's new administra-

Table 3

ATLANTIC REGION AIRPORTS TOTAL ENPLANED AND DEPLANED			
PASSENGERS			
	*1994	1993	% Change
Charlottetown	176,300	171,905	2.6
Fredericton	191,400	188,177	1.7
Gander	100,300	92,472	8.5
Halifax	2,344,800	2,253,156	4.1
Moncton	228,900	222,418	2.9
Saint John	186,600	183,274	1.8
St. John's	620,000	♦605,700	2.4
CARGO# (Tonnes)			
Charlottetown	106	76	39.5
Fredericton	65	79	- 17.7
Halifax	11,778	12,355	- 4.7
Moncton	1,153	3,144	- 63.3
Saint John	145	88	64.8
St. John's	3,268	3,102	5.4
* Estimates based on Transport Canada's official forecast completed in December of 1994.			
# Based on first eight months of data for years 1993 and 1994.			
♦ Includes only estimates for Provincial Airlines.			

tion building and Air Canada's Canadair regional jet. The \$5 million, 35,000 square-foot training and administrative facility, attached to Air Nova's \$7 million hangar which opened a few years ago, brings all the airline's services to one complex, adjacent to the terminal building.

Transport Canada terminated air traffic control operations at the Charlottetown airport on September 30, 1994, and at the Saint John airport on December 2, 1994. Many of the air traffic control functions were transferred to existing flight service specialists. Transport Canada is currently reviewing the country's entire air navigation system with the aim to modernize and improve efficiency. As reported in last year's report, plans are in place for airports with less than 60,000 aircraft takeoffs or landings annually to switch from air traffic controllers to flight service stations. The Fredericton airport, which falls in this category, is scheduled to lose its air traffic controllers effective October 13, 1995.

As reported in last year's annual report, Transport Canada had published notice of a number of changes to its air and marine fees in Part I of the *Canada Gazette*. These air regulation amendments were instituted effective June 1, 1994, increasing fees for aviation regulatory services provided by Transport Canada. The amendment increased most fees by 318%, the equivalent to the rate of inflation since the last increase which dated as far back as 1968. Amendments included Personnel Licensing Services, Aircraft Flight Authorities and Airworthiness Design Approval.

Effective with May 1, 1994, the Air Services Charges Regulations (ASCR) including landing, terminal and aircraft parking charges were increased. The ASCR are made by the Minister of Transport to impose charges for the use of facilities or services provided by or on behalf of the Minister. The amendments to the ASCR increased most charges by 10%.

After years of negotiations, a new bilateral air transportation agreement between Canada and the United States was signed (see page 33 for further details).

Marine

The Atlantic Pilotage Authority published notice in Part II of the *Canada Gazette* of an increase in its rates and charges for trips and

movages in the compulsory pilotage waters of Atlantic Canada, effective August 16, 1994. The NTA approved a 7% rate increase in the tariffs of the following compulsory areas: Saint John, Restigouche, Miramichi, Canso, Sydney, Bras d'Or, Humber Arm, Stephenville, Bay of Exploits, St. John's, Holyrood, Come-By-Chance, Clarendville, Charlottetown, and Pugwash and applicable to the miscellaneous and supplementary charges. The Agency also approved a 3% rate increase applicable to charges at Halifax.

The member lines of the Canada/United Kingdom and the Canadian Continental East-bound Freight Conference restructured their conference freight tariffs effective with January 1, 1995. All freight rates are now published in US dollars. At the same time, rate increases were also implemented as follows: \$80 US/\$115 US per 20-foot/40-foot on standard classes and equipment and \$90 US/\$150 US per 20-foot/40-foot on special classes and equipment. The class rate tables were also reduced from 43 to 30 classes in an effort to condense the number of classes published, and further simplify the tariffs. The conversion of these tariffs from Canadian to US currency was the subject of failed negotiations between the involved Conferences and the Canadian Shippers' Council (an organization designated under the Shipping Conferences Exemption Act, 1987, to represent the interests of shippers). The Council's willingness to accept conversion of rates to US currency was conditional on the abolition of future currency surcharges (CAF) which was not accepted by the Conferences.

In February, 1994, Transport Canada published notices of a number of changes to its marine fees in Part I of the *Canada Gazette*, as was reported last year. Amendments increasing marine fees regulations, including top wharfage fees, port wardens tariff, public harbour dues, to name a few, with varying percentage increases and effective dates were implemented during the past year.

A number of changes in international shipping services involving Atlantic Canada ports were again experienced during the past year, some of which are summarized below:

- > On October 23, 1994, St. Pierre RoRo Service extended their existing service from Halifax to Boston. The new leg of their service is called SPM Container Line. Initially the vessel sails between Halifax and Boston every

nine days. This schedule allows St. Pierre RoRo Service to maintain their commitments between the Islands of St. Pierre and Miquelon and Halifax. With the expected addition of a second vessel, the service between Halifax and Boston will be changed to a weekly fixed day service, arriving and departing Boston on Friday. As an extension of this new service, SPM also offers a service to Mexico through connections with Lykes Lines weekly service from Boston to Tampico and Vera Cruz. The service includes 20-foot and 40-foot dry and 40-foot reefer container equipment.

- A major shipping consortium established direct calls to the Port of Halifax. Hapag-Lloyd, Neptune Orient Line (NOL) and NYK Line announced the addition of Halifax as a port of call on their Pacific Atlantic Express (PAX) service. The PAX service has been operating a service, connecting Europe, North America and the Far East since 1991. The new direct service from the Port of Halifax commenced on November 21, 1994. This PAX service calls at Halifax twice weekly and includes a Trans-Atlantic routing with direct ports of call including Belgium (Antwerp), Germany (Bremerhaven), Netherlands (Rotterdam), and London (Thamesport); and a Far East bound leg with direct ports of call including Japan (Yokohama, Kobe), Hong Kong and Taiwan (Kaohsiung).
- As a result of the above change, Atlantic Container Line (ACL) added a second service (called the "B Service") to their existing Trans-Atlantic schedule. The "B Service" will be utilizing vessel space on the new twice-weekly Trans-Atlantic routing outlined above, which commenced on November 21, 1994.
- Hoegh Lines also began a new direct export service from the Port of Halifax on November 9, 1994. Hoegh Lines vessels have called on a regular basis at the Port of Halifax with mostly import cargoes for over 35 years. The expansion of export calls significantly improves transit times by offering direct service from Halifax through the Suez Canal for both containerized and breakbulk cargoes to Jeddah, Bombay, Colombo, Singapore, Port Keland, Jakarta, Surabaya, Belawan, Padang and Palembang. Hoegh now offers one of the most expeditious routes to Asia and the Indian Sub-continent.
- In early 1995, Hoegh-Ugland Auto Liners (HUAL) began offering a departure from Halifax for its transatlantic service. The addition of Halifax to its port rotation has added competitive strength to three of HUAL's liner services. On their Trans-Atlantic service, shippers who use HUAL between North America and Europe are the obvious benefactors. In addition, since HUAL serves South and West Africa from LeHavre, there is now an alternative for shippers of cargo from Canada to South and West Africa. A third HUAL service to benefit will be the Mediterranean and Middle East Service.
- In December, 1994, ABC Containerline announced the addition of Hamburg, Germany to their European port rotation. This decision was based on an increasing volume of traffic moving on their vessels to Germany and Scandinavia. ABC Containerline vessels sailing from Halifax now has a transit time of 12 days to Hamburg.
- In the fall of 1994, Star Shipping (Canada) Ltd. launched a new bi-monthly forest products service to Europe from the Port of Saint John. Gantry-crane open hatch vessels are utilized in the service. Saint John is the last port of call for Star Shipping in North America, before crossing to Europe. The service calls at the Ports of La Pallice, Boulogne, France, Hamburg, Germany and Esbjerg, Denmark.

The Saint John Port Corporation did not increase its port corporation tariffs in 1995. The Corporation stated that it recognizes the highly competitive market conditions that many companies are experiencing in international trade. This is the fifth consecutive year that the Corporation has not increased tariffs.

Halifax Port Corporation also indicated that there would be no increase in port corporation tariffs in 1995. Wharfage and berthage fees have been unchanged since April, 1990, while harbour dues have been kept at the same level since July, 1989.

The St. John's Port Corporation announced a 2% increase applicable to harbour dues, berthage, wharfage, passenger charges, small commercial vessel charges and parking charges for 1995.

On February 17, 1995, two major industrial projects were announced for the Port of Belledune. The projects consist of the completion of an \$11 million gypsum plant and the start of a \$32.2 million upgrade of the port facilities. The port upgrade will include the construction of a new wharf and a new cargo-holding facility and a dredging project, and is scheduled to begin this summer and be completed by the middle of 1997.

The Port of Bayside has increased traffic in the past year with an increase in tonnage of 40% over last year. The port is gaining a reputation in the perishable and frozen food industry with one of the most modern cold and frozen storage facilities in the country. The port handles mostly potatoes and fish but, in 1994, saw almost 200,000 metric tonnes of gypsum pass through the port.

A statistical summary of traffic handled at Ports Canada ports in the Atlantic Provinces is provided in Table 4. The Port of Saint John had an overall tonnage increase of 8.05% due to petro-

leum and potash. The Port of Halifax also had a good year with only a slight reduction of less than 1% in overall tonnage. Container traffic continued to experience growth with an increase of 1.83%. The Port of St. John's recorded an overall tonnage increase of 7.44%, with general cargo, excluding bulk cargo, experiencing a reduction of 1.94%. Containerized cargo was also up 4.39% at the Port of St. John's. Although not quite as substantial as last year, the Port of Belledune continued to experience considerable growth, with a 38.77% increase in the volume of cargo handled at the port mainly due to the commencement of coal shipments to the nearby NB Power generating plant.

Ferries

Table 5 illustrates ferry operating statistics for the major ferry operations in Atlantic Canada. Commercial traffic increased on all Marine Atlantic services with the exception of North Sydney-

Table 4

WATER CARGO TONNAGE LOADED OR UNLOADED AT PORTS CANADA PORTS (In Metric Tonnes)					
Calendar Year	Saint John	Halifax	St. John's	Belledune	Total
ALL CARGO					
1994	21,145,403	14,090,021	924,273	1,110,956	37,270,653
1993	19,570,314	14,112,022	860,242	800,586	35,343,164
Variance	1,575,089	- 22,001	64,031	310,370	1,927,489
% Change	8.05%	- 0.16%	7.44%	38.77%	5.45%
GENERAL OTHER CARGO*					
1994	796,756	344,121	116,837	—	1,257,714
1993	853,372	324,407	119,143	—	1,296,922
Variance	- 56,616	19,714	- 2,306	—	- 39,208
% Change	- 6.63%	6.08%	- 1.94%	—	- 3.02%
CONTAINER CARGO					
1994	193,040	2,564,685	339,884	—	3,097,609
1993	231,323	2,518,603	325,578	—	3,075,504
Variance	- 38,283	46,082	14,306	—	22,105
% Change	- 16.55%	1.83%	4.39%	—	0.72%

* Excludes bulk cargo

Source: Canada Ports Corporation

Argentina. The Prince of Fundy service between Yarmouth, NS, and Portland, ME, also experienced a decrease in traffic due to a reduced number of sailings.

Between April, 1994, and November, 1994, Marine Atlantic added six round trip crossings daily to its Prince Edward Island ferry schedule. The enhanced schedule was implemented to enable the carrier to respond to anticipated increases in commercial traffic due to construction of the fixed link.

Marine Atlantic advised shippers that effective March 1, 1995, approximately 100 over-dimension loads will be moving over the Borden/Cape Tormentine ferry crossing. These shipments are being moved at a rate of two per day. Marine Atlantic are moving these shipments during the least disruptive time such as during the late night crossings. These movements are part of the on-going construction of the fixed link.

Concerns over traffic congestion on the Prince Edward Island service were noted in the *1993-94 Annual Report and Transportation Review* caused, in part, by the increased traffic created by the fixed link. These concerns over traffic congestion extended into 1995 as truckers continued to experience delays.

In late 1994, Marine Atlantic announced tariff rate increases which became effective on January 1, 1995. Most increases applicable to commercial traffic were approximately 3%. The Prince Edward Island service was subject to a rate increase of 3.9%.

In addition to the general increases, Marine Atlantic also announced several changes to surcharges. A notable example was an administrative surcharge of \$10 for all commercial vehicles carrying dangerous goods effective January 1, 1995. A \$25 surcharge already existed for the North Sydney/Port aux Basques service which remained unchanged.

Also effective January 1, 1995, an additional charge for oversize loads in the Prince Edward Island service was introduced. The charge involves a flat fee of \$50 for vehicles over 8 feet, 6 inches wide and/or over 75 feet long departing from Cape Tormentine, NB.

Northumberland Ferries announced tariff rate increases in the range of 4% to 4.9% for commercial traffic effective for the 1995 operating season.

Newfoundland's south coast ferry service presently provided by Marine Atlantic will be turned over to provincial control in June, 1995. A federal/provincial agreement provides the province with \$55 million over the next two years. The contract stipulates that the Newfoundland government will be responsible for any additional subsidies required after June 15, 1995. The province will tender the service to a private operator. The service will be operated with lower fares; however, the service pattern will change. Passengers will no longer be able to travel by ferry from one end of the coast to the other. Under provincial control, several separate and localized ferry routes will provide six days a week service to coastal communities to and from the nearest highway link.

ATLANTIC CANADA 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 SERVICE</u>								
Cape Tormentine - Borden	1994	14,661	1,820,332	2.7%	638,017	2.6%	187,800	17.8%
	1993	12,305	1,772,219		621,577		159,487	
North Sydney - Port aux Basques	1994	1,626	373,933	- 0.6%	104,444	- 3.1%	64,360	7.8%
	1993	1,607	376,366		107,835		59,684	
North Sydney - Argentia*	1994	62	39,223	- 9.0%	10,875	- 15.7%	326	- 49.6%
	1993	84	43,084		12,908		647	
Yarmouth - Bar Harbour	1994	386	111,952	9.2%	29,045	6.6%	3,124	0.9%
	1993	359	102,519		27,250		3,096	
Saint John - Digby	1994	1,478	208,450	6.6%	55,534	5.2%	23,171	14.4%
	1993	1,372	195,513		52,769		20,258	
<u>NORTHUMBERLAND FERRIES LIMITED</u>								
Wood Island - Caribou ♦	1994	5,277	#284,443	16.2%	185,753	17.2%	27,678	13.7%
	1993	5,825	#244,744		158,545		24,339	
<u>PRINCE OF FUNDY SERVICE</u>								
Yarmouth - Portland■	1994	308	146,767	- 4.1%	25,877	- 3.0%	695	- 35.6%
	1993	344	152,972		26,680		1,080	
<u>PUDDESTER TRADING COMPANY LIMITED</u>								
St. Barbe - Blanc Sablon‡	1994	830	40,004	5.4%	13,704	1.4%	2,099	5.8%
	1993	819	37,951		13,512		1,984	

- + 1994 operated May 21 to January 3/95
- 1993 operated May 13 to January 3/94

From Wood Islands only due to implementation of a fare system which collects on one direction of travel only.

Source: Marine Atlantic Inc.
Northumberland Ferries Limited
Prince of Fundy Cruises Limited
Transport Canada

CHANGING FEDERAL TRANSPORTATION PRIORITIES

On June 3, 1994, federal Transport Minister, Doug Young, outlined a major change in the federal government's transportation policy. According to the Minister, the Government of Canada recognizes the need for a realistic, achievable vision to move Canada's transportation system into the 21st century. Efficient, reliable, safe, competitively-priced and environmentally-sound transportation systems to move people and goods are essential to maintaining Canada's competitive edge. Canada's current transportation system has significant excess capacity and is heavily subsidized.

Accordingly, the federal government has undertaken to replace the present transportation regime with an integrated, affordable, national system that emphasizes safety, efficiency, industry viability and environmental responsibility. This is to be achieved by having a system where more traditional government activities are managed by private operators or non-profit organizations, where there is more balance between user-pay and user-say, with regulation and legislation that is compatible with that of our competitors and where subsidies are the exception.

In working towards a more commercialized transportation system, the federal government is examining the role and structure of Crown Corporations, such as Marine Atlantic and CN North America; commercialization of airport operations, the air navigation system and some activities of the Canadian Coast Guard; the elimination of unnecessary regulations; and a shift from subsidies to investments in infrastructure and new technology.

Over the past year, the federal government has undertaken a number of major activities to reform the transportation system serving Canada. In the air mode, the federal government released its National Airports Policy in July, 1994, and has announced a commercialization of the air navigation system (see page 34 for further details).

The rail mode has also been the subject of considerable debate over the past year. Transport Canada held a series of round-table discussions on rail issues during 1994, followed by a National Shippers Meeting on Rail Renewal in December. The government Task Force on CN Commercialization issued its report in February, 1995, and the government is finalizing its proposals for a major revision of the National Transportation Act which is expected to be made public by the summer of 1995 (see page 27 for further details).

In the marine mode, the Sub-Committee of the Standing Committee on Transport of the House of Commons on the St. Lawrence Seaway released its report in December, 1994. The House of Commons Standing Committee on Transport held cross-Canada hearings on marine issues in March and April, 1995, and is expected to report by the end of April; and Transport Canada announced that it would be holding a series of round-table discussions on marine policy issues during the spring and early summer of 1995.

The 1995 federal budget also contained a number of initiatives dealing with transportation, including the elimination of the Atlantic Region Freight Assistance program, the Western Grain Transportation Act and the Feed Freight Assistance program (see pages 25 and 29 for further details).

Significant changes are taking place in transportation in Canada which will have major impacts on Atlantic Canada. The federal government is reducing its role as an operator of transport services and facilities. It is also significantly reducing its financial contribution to the operation of transportation services and facilities and is replacing ongoing subsidization of the cost of moving both passengers and freight with one-time investments in infrastructure and technology. Users of transport services and facilities, and in some instances provincial or local governments, will bear a greater share of the costs in future.

ELIMINATION OF TRANSPORTATION SUBSIDIES

The federal budget of February 27, 1995, eliminated a number of transportation subsidies of long standing. Included among these were the Atlantic Region Freight Assistance program, the Western Grain Transportation Act, Feed Freight Assistance and minimum compensatory rates for canola products. The termination of the ARFA program is outlined starting on page 29. The other measures referred to are briefly highlighted below.

Western Grain Transportation Act (WGTA)

Under the WGTA, subsidies are provided for the movement of western grain to market. The subsidy supports a fixed rate level for grain moving via rail to west coast ports, Churchill, MB, and to Thunder Bay, ON. Subsidies to compensate the railways for the difference between the fixed rates and compensatory rates will be terminated effective August 1, 1995. Payments to the railways in the 1994-95 fiscal year are estimated to be \$626 million.

An *Ex Gratia* payment of \$1.6 billion is to be paid to owners of prairie farmland in recognition of the impact on land values. In addition, various transition programs worth \$300 million will be implemented over a five-year period.

Effective December 31, 1995, a moratorium preventing the abandonment of uneconomic branch lines throughout Western Canada is to be lifted. This will allow the railways to rationalize their lines and reduce costs for shippers.

Feed Freight Assistance (FFA)

Under the Livestock Feed Assistance Act, a key objective is to ensure fair equalization of feed grain prices in Eastern Canada, British Columbia, the Yukon Territory and the Northwest Territories. This was undertaken through the FFA program under which a portion of the costs of transportation of feed grains is paid. This program, which amounted to approximately \$15 million per year, is to be terminated on December 31, 1995. With over 50% of total program payments reflected as a reduction in the transportation costs of moving eligible feed grains to users in the Atlantic Provinces, the termination of this program will have a major impact on the competitive position of livestock and poultry producers in this region.

Funding of approximately \$62 million, beginning April 1, 1995, has been allocated over the next ten years to encourage agriculture and agri-food development in FFA-affected regions. As well, there is a \$60 million per year Agriculture and Agri-Food Canada adaption fund available for the benefit of all Canadian agriculture, including the livestock industry in FFA-affected areas.

Minimum Compensatory Rates on Canola Products

Regulated minimum compensatory (rail) rates for canola products will be terminated effective August 1, 1995. The fixed rate levels governed the movement of canola meal and canola oil from Thunder Bay, ON, into Eastern Canada, including a number of significant movements into the Atlantic Region.

RAIL RATIONALIZATION

Abandonments

In the year under review, the National Transportation Agency ordered the abandonment of one line in the Maritimes, namely, CN's Nashwaak/Oromocto Subdivision. The abandonment, comprising 48.9 rail miles in the Province of New Brunswick, is scheduled to take effect on April 28, 1995. As of March 31, 1995, the National Transportation Agency had no outstanding applications for abandonment of rail lines in this region.

The abandonment of this line will complete the abandonment of the branch line network in Atlantic Canada. Those branch lines which had the potential for continued operation are now being operated as short line railways (the CB&CNS, the W&H, and the NBSR). All other branch lines in the region have been abandoned.

On May 4, 1994, the Supreme Court of Canada dismissed an application for leave to appeal the abandonment of 175.74 miles of the

former CP branch line in the Upper Saint John River Valley in the Province of New Brunswick. As mentioned in previous annual reports, McCain Foods of Florenceville, NB, had been seeking leave to appeal to the Supreme Court since the dismissal of an appeal to the Federal Court, dated November 24, 1992.

Short Line Railway Developments

» Cape Breton & Central Nova Scotia Railway

The Cape Breton & Central Nova Scotia Railway (CB&CNS) successfully completed its first full year of operation of the Truro-Sydney rail line on October 1, 1994. The railway reported that traffic and revenues had slightly exceeded projections and a small profit had been earned.

In August, 1994, the Canada Labour Relations Board dismissed an application by the Brotherhood of Maintenance of Way Employees for a "declaration of sale of business pursuant to section 44" of the Canada Labour Code. The issue involved a determination of whether the purchaser, CB&CNS, is a federal undertaking and falls under federal jurisdiction. The Board ruled that the CB&CNS is a "local undertaking subject to provincial jurisdiction." Accordingly, the application was dismissed since the Board lacks jurisdiction. It is necessary for both the seller and the purchaser to be under federal jurisdiction for the Board to have authority.

This ruling means that the CB&CNS is not bound by the successor rights provisions of the Canada Labour Code and, therefore, is not bound to collective agreements of the previous owner, CN Rail. This matter continues to be subject to further legal challenge by the union at year end.

» Windsor & Hantsport Railway

On July 28, 1994, the National Transportation Agency approved an agreement between CP Rail System and the Windsor & Hantsport Railway (W&H) for the sale of the rail line between Windsor Junction and New Minas, NS. The W&H, a subsidiary of Iron Road Railways Inc., began operations over the 93 km line on August 29, 1994, becoming the second short line railway operating in Nova Scotia.

» New Brunswick Southern Railway

Following a number of months of complicated negotiations with several parties, CP Rail System concluded the necessary transactions to transfer the operation of its lines east of Sherbrooke, PQ, on January 6, 1995. The transaction created two new rail operations.

The portion of the line between Sherbrooke, PQ, and Brownville Jct., ME, was sold to the Canadian American Railroad Company (CDAC), a joint venture between Iron Road Railways Inc. and the Bangor & Aroostook Railroad. Subsequently, in March, 1995, Iron Road completed its purchase of the B&A to become the sole owner of the CDAC. The CDAC is continuing negotiations with CPRS for the purchase of the CP line between Sherbrooke, PQ, and Delson, PQ, just outside Montreal.

The portion of the line east of Brownville Jct., ME, to the Maine/New Brunswick border was transferred to the Eastern Main Railroad Company. In New Brunswick, CPRS relinquished the trackage between the Maine-New Brunswick border and Saint John, as well as the line between McAdam and St. Stephen, which it had operated under lease from the New Brunswick Railway Company (NBR), a subsidiary of J. D. Irving Ltd. CP continues to lease and operate 12 km of track between Cyr Jct. and Grand Falls, NB, from the NBR.

The New Brunswick Southern Railway, which operates over the former CP lines in New Brunswick and the Eastern Maine Railroad, are subsidiaries of the NBR. The NBSR began operations as a terminal carrier on January 7, 1995. In addition to the interchange with the CDAC at Brownville Jct., the NBSR also connects with the Springfield Terminal Railroad (Guilford Transportation Industries) at Mattawankeag, ME. All marketing and freight bookings are being handled by the CDAC and ST.

CN/CP Merger

During the year under review, there were a number of significant events impacting the rail industry in Canada. Canadian National Railways and Canadian Pacific Rail System were unable to reach an agreement on the merger of their rail operations in Canada east of Winnipeg (see 1993-94 *Transportation Review and Annual Report*,

page 31). The companies broke off discussions on the matter in July, 1995. The APTC had been concerned over several aspects of the proposed merger which would negatively impact the future of continued rail service in the Atlantic Region. The APTC wrote to the federal Minister of Transport urging that the interests of shippers in Atlantic Canada be protected.

Following the collapse of the merger talks, CP Rail announced that it would be preparing an offer for the outright purchase of CN operations in Canada east of Winnipeg. In September, 1994, CP Rail System presented to CN North America and the Government of Canada a \$1.4 billion offer to purchase CN's operations east of Winnipeg and Chicago. In evaluating the offer, Transport Canada sought the assistance of investment analysts Wood Gundy Inc. to assess the financial aspects of CP's proposal. The Minister of Transport also created a task force to examine the commercialization of CN.

The potential of a single company with a monopoly on rail service throughout eastern Canada was viewed by the APTC as a prescription for the ultimate loss of rail service in Atlantic Canada. The APTC urged the federal government to examine other options for resolving the problems faced by the railway industry in Canada, including the possibility of a separate regional railway serving Atlantic Canada.

In December, the federal government rejected CP's offer to purchase the eastern assets of CN. The Minister of Transport noted that the biggest problem with CP's offer was that it would have left eastern Canada with a single railway operation. In rejecting CP's offer, the federal government also declined to immediately entertain any further proposals to purchase CN.

Task Force on CN Commercialization

In September, 1994, the Minister of Transport established a Task Force on CN Commercialization to explore options for the future of CN North America. The Task Force was to focus on various options for the commercialization of CN, including the possibility of employee participation. The Task Force held public hearings across Canada, including three in Atlantic Canada, in December, 1994.

The APTC, in its submission to the Task Force, expressed support for the privatization of CN. The APTC feels that the transfer of CN from the public sector to the private sector, if accomplished in a carefully managed fashion, concurrent with a reform of the regulatory and taxation structures under which the railway industry operates, should lead to the creation of a firm better able to serve the needs of Canada's shippers. The APTC also urged an examination of the merits of a separate regional railway for Atlantic Canada.

The Task Force released its report in January, 1995, recommending the full commercialization of CN as a coast-to-coast mainline rail operation. Among other recommendations were: the non-rail assets and operations of CN should be transferred to a crown corporation completely independent of railway operations; an independent interim managing organization oversee the transition of CN from a crown corporation to commercialized operations; the government transform any public policy role to allow the full commercial and independent operation of CN; all levels of government address the inequities of the rail mode with regard to taxation; the railways, in conjunction with the National Transportation Agency and Transport Canada, establish the core network of rail lines in order that an orderly shedding of uneconomic assets takes place; that all railway companies be allowed full running rights over all railway lines and the current provisions in the National Transportation Act to this effect be strengthened so as not to exclude any possible qualified operator. The report also made several recommendations concerning employee participation in the commercialization of CN.

The report of the Task Force comes at a time when both of Canada's national railways are confronted with the need to further rationalize their networks. One of the Task Force's recommendations dealt with the need to establish a core network of rail lines. Rail abandonments in the Maritimes have reduced the remaining network to what the APTC considers to be the core network in the region or those lines which are essential to maintaining rail service in Atlantic Canada.

Following the release of the Task Force report, the APTC again wrote the federal Minister of Transport urging the development of a coast-to-coast rail network policy. Such a policy should

be developed in conjunction with stakeholders including shippers and provincial governments.

The Minister of Transport has indicated that he will take the report of the Task Force into consideration in the development of a national rail policy he hopes to finalize in 1995.

Rail Renewal Workshops

In September and October, 1994, Transport Canada conducted a series of workshops across the country to solicit concerns and recommendations on rail freight issues. Matters considered included the financial, regulatory, labour and taxation changes necessary to ensure long-term viability of the railways in Canada. The results of the workshop discussions were presented as recommendations to the Minister of Transport.

At the Atlantic Region workshop held in Moncton on October 3, 1994, the APTC emphasized the importance of maintaining rail service to the region to serve the needs of shippers and the Ports of Halifax and Saint John. The APTC urged the federal government to develop an essential rail network policy and to consider all options for maintaining a commercially viable rail service in Atlantic Canada, including the potential for a regional railway.

Following the series of regional meetings, a National Shippers' Rail Renewal Meeting was held in Ottawa on December 14, 1994. Representatives of individual shippers and shippers' groups presented their views on the workshop recommendations and on Transport Canada's proposals to amend the National Transportation Act (NTA, 1987) and the Railway Act to reduce the regulatory burden and encourage development of the short line industry. At that meeting, the APTC again stressed that shippers in Atlantic Canada want and need an effective and efficient rail service to transport the products of the region to market at a price which allows them to remain competitive. When preparing revisions to the NTA, 1987, the federal government must realize that circumstances are very different in the various regions of this country and a regulatory provision which is designed to resolve an issue in one region may not have the same effect in all regions due to marked differences in the rail network, traffic

volumes, commodities and the level of intra-rail competition. The APTC also encouraged the development of provisions that would provide for short lines or regional railways which cross provincial boundaries and thus remain under federal jurisdiction.

The Minister of Transport indicated his intention to present a detailed plan for rail renewal to Cabinet in the spring of 1995 and the resulting legislation to Parliament in the fall.

Rail Labour Negotiations

Throughout the year under review, the railways continued to negotiate with their various unions to renew labour agreements which had expired on December 31, 1993. Key issues involved job security, pay structure, seniority and job classifications. Negotiations broke down resulting in a nation-wide rail strike shutting down operations at CN Rail and VIA Rail on March 18, 1995. CP Rail was also struck but managed to maintain a limited mainline service in central and western Canada.

The rail strike affected a number of firms in New Brunswick and Nova Scotia who were forced to curtail production. Container operations at the Port of Halifax were also impacted. The three short line railways in the region maintained normal operations on their lines.

The federal government, after several delays caused by opposition parties, passed back-to-work legislation (Bill C-77) on March 26, 1995. Railway workers reported back to work the following day. The legislation called for the federal government to establish mediation boards to resolve eleven separate labour contracts. If a contract cannot be agreed on within 70 days, the commissioners will arbitrate new contracts. Strikes or lock-outs are prohibited by the back-to-work legislation and the new collective agreements cannot expire prior to December 31, 1997. Following passage of the legislation, the federal government appointed Mr. Justice George Adams of the Ontario Court of Justice to mediate the eleven separate contracts at CN and CP. Mr. Justice Kenneth MacKenzie of the Supreme Court of British Columbia will undertake the same process for VIA Rail.

NEWFOUNDLAND TERMS OF UNION (ACE COMPLAINT)

There were no developments respecting this matter during the past year. The proposed appeal of the decision of the National Transportation Agency dated May 22, 1991, still had not been filed by the Government of Newfoundland

and Labrador at the conclusion of the year under review. Background information on this matter is contained in APTC annual reports of 1993-94, 1992-93 and earlier.

NEWFOUNDLAND MONITORING PROJECT

In March, 1995, the APTC completed the fifth annual report under an agreement with the Government of Newfoundland and Labrador to monitor changes in transportation service levels and costs and evaluate the impact of the termination of the operation of the Newfoundland railway. Extensive interviews of shippers and carriers, as well as a monitoring of transportation activity to and from the island, form the basis of the report.

The latest of this series of reports indicates that Newfoundland's shippers are generally satisfied with the transportation service being provided by carriers. While freight rates have

remained stable over the past several years, this most recent report indicates that shippers were beginning to experience some upward pressure on freight rates in 1994. The impact of the termination of rail operations has significantly decreased as time has passed and several other factors such as transportation regulatory reform, the downturn in the fishing industry and current economic conditions are of more immediate concern. While the total volume of inbound general freight has declined slightly over the past five years, the market share of both the marine and motor carrier industries has increased, while CN's share of the total traffic continues to decline.

ATLANTIC REGION FREIGHT ASSISTANCE

Payments under the Maritime Freight Rates Act (MFRA) and the Atlantic Region Freight Assistance Act (ARFAA) for the calendar year 1994 were approximately \$110 million, representing an increase of 3.6% in payments over the previous year. All of this increase and more was for shipments by truck as both rail and marine reflected decreases of 5.6% and 14.0%, respectively. *Table 6* identifies details of the payments for the past two calendar years.

Program Termination

As part of the federal budget of February 27, 1995, the transportation subsidies under the MFRA and the ARFAA will be terminated on July 1, 1995. A \$326 million transportation adjustment program, to be paid over five years, has been established for regions currently receiving ARFA/MFRA subsidies. Under bilateral agreements between the federal government and the provinces involved, transitional assistance is to be targeted to meet local shippers' adjustment needs and to provide for improved infrastructure. At

year end, guidelines for eligibility had not been announced.

Prompted by concerns over the future of the ARFA program and uncertainty as to the commitment of the federal government to maintain funding, a conference was held in Moncton, NB, on May 17, 1994, under the theme *Freight Assistance and Jobs — A Focus on the Future*. Co-sponsored by the APTC and the Atlantic Divisions of the Canadian Manufacturers' Association, the conference created awareness of the program and provided an opportunity for stakeholders to express their views. Over 150 delegates in attendance adopted a resolution calling upon the federal government to undertake a review of the program with the objective of:

- *enhancing the benefits to shippers;*
- *reducing the potential for abuse;*
- *encouraging effective program administration;*
- *fairly contribute to deficit reduction goals of the federal government; and,*

➤ *minimize the potential for job loss.*

On July 11, 1994, a meeting took place between the federal Deputy Minister of Transport and representatives of the APTC and the CMA. The Deputy Minister advised that a database analysis of program expenditures would soon be supplied to stakeholders, with an invitation to interested parties to submit comments and views. Goals identified by Transport Canada were deficit reduction, cost effectiveness and more suitable program spending (e.g., infrastructure). An *Information Paper* on the ARFA program, consisting of a database analysis for 1992, an overview of the institutional framework and an outline of trends in subsidy payments, was released by Transport Canada in the latter part of July. Interested parties were given to the end of September to submit their views.

The APTC organized a meeting held in Moncton, NB, on August 18, 1994, to provide a forum for Transport Canada to identify and explain their findings and for trade organizations and shippers to present their views on the impor-

tance of the program and changes warranted in the face of fiscal limitations and the database analysis. The meeting was well attended and a full exchange of views took place. Through a presentation to the meeting, the APTC took a bold step by advocating **major changes** in the application of the ARFA program. The proposal reflected the following features:

- *simplify the program but retain the fundamental elements;*
- *eliminate short-haul movements both within the region and westbound;*
- *eliminate movements that fall outside the program's objectives; and,*
- *yield major cost savings to the federal government.*

A number of comments and concerns were submitted to the APTC and to Transport Canada. The APTC proposal in August was presented as an initial response on the understanding that a final position would be submitted within the dead-

Table 6

**TABLE SHOWING PAYMENTS UNDER THE
ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS
(\$X'000)**

Calendar Year	Rail	Truck	Water	Total
Intra-Regional				
1994	7,068	44,351	510	51,929
1993	7,080	43,671	593	51,344
Westbound Basic				
1994	9,312	32,116	0	41,428
1993	10,186	29,018	0	39,204
Westbound Selective				
1994	3,878	12,434	0	16,312
1993	4,187	11,144	0	15,331
Total Payments - Intra-Regional and Westbound				
1994	20,258	88,901	510	109,669
1993	21,453	83,833	593	105,879
1994 vs. 1993	(1,195)	5,068	(83)	3,790
Increase or (Decrease)	(5.6%)	6.0%	(14.0%)	3.6%
% Change				

Source: National Transportation Agency of Canada

line. Key additions and changes in the APTC position were:

- *a minimum distance formula to spread the subsidy reduction on an equitable basis;*
- *retain the maximum level of intra-subsidy on exports through regional ports;*
- *strengthen the authority of the NTA to prevent abuse; and,*
- *minimize the cost of administration.*

It is important to note that the APTC proposal and revisions were structured with the objective of reducing federal spending by over 40%.

The APTC encouraged all stakeholders in the region to make their views known to Transport Canada. Many organizations and shippers sup-

ported all or part of the APTC proposal. There were others, however, who either disagreed with the imposition of a minimum distance or who felt that the APTC went too far in trying to effect savings in the program without first having the benefit of an impact analysis on lost employment.

A great deal of time and APTC staff resources were taken up with efforts to prevent the loss of the ARFA program. A total in excess of 1,000 letters and communications were sent by the APTC to regional stakeholders and others. Numerous meetings were held with government officials, MP's, shippers and others, including meetings with the Atlantic Premiers and key Ministers. A number of press releases were issued to create added awareness. Despite these efforts and those of many others in the region, the ARFA program will be terminated on July 1, 1995.

HIGHWAY ISSUES

NB Legislative Report

The New Brunswick Legislative Committee formed to review the New Brunswick white paper *Highways for the Next Century* (see 1993-94 *Transportation Review and Annual Report*, page 36) released its final report in April, 1994.

The white paper had suggested that tolls might be a viable method of highway funding. The Legislative Committee was unable to make a recommendation on this issue and suggested that methods of highway funding should be further investigated. The Committee noted that there was considerable opposition to the implementation of highway tolls. The report stated that there was concern that toll collection is inherently unfair and would lead to a two-tier highway system based on ability to pay.

The Committee made a number of recommendations concerning weight tolerances for trucks, vehicle weights, lift axles, signage, rest areas and alternative paving materials.

National Highway Program

Funding for a national highway program continued to be an important issue during the year under review. Despite over six years of studies and discussions between the federal and provincial governments, agreement could not be reached on funding for the project. In December, 1994, the

federal Transport Minister issued a statement saying that the provincial and federal governments were unable to develop "a compatible basis to fund the development of the system."

Following the collapse of talks on the national plan, the governments of the Atlantic Provinces indicated that they would seek to reach bilateral agreements with the federal government to allow construction projects on the designated national highway system in the region to proceed.

Regional Highway Upgrading

Significant progress was made on upgrading the designated national highway system in the Atlantic Provinces during the 1994 construction season. Several major twinning and repaving projects were opened to traffic in New Brunswick, Nova Scotia and Newfoundland. A number of grading contracts were also completed in preparation for paving in 1995. Most of these projects are being completed under various federal/provincial cost-sharing agreements.

The Nova Scotia government issued a call for proposals for a public/private partnership to construct a four-lane section of the Trans Canada Highway between Masstown and Thompson Station, by-passing the Wentworth Valley. Eight expressions of interest were received. The Transportation Department was discussing the project with several firms at year end.

VEHICLE WEIGHTS AND DIMENSIONS

As discussed in last year's report, the Eastern Provinces Task Force on Harmonization of Vehicle Weights and Dimensions was established by Ontario, Quebec and the four Atlantic Provinces in September of 1993. The goal is to pursue harmonization of their respective vehicle, weights and dimension regulations over and above the national Memorandum of Understanding (MOU) of 1988 and 1991. The Task Force was set up to complement the national MOU by seeking consensus on a number of issues faced only in eastern Canada (e.g., lift axles, multi-axle semitrailers etc.).

The first meeting of this Task Force was held on February 16, 1994, with the goal of reviewing the Terms of Reference for the Task Force and discuss the work to be undertaken over the following months. A representative from the APTC attended this meeting where it was stated that, "... while supporting the need for uniformity of weights, dimensions and axle spacing regulations, it is also very important to Atlantic Provinces shippers that weight limits are not reduced. Shippers cannot afford additional costs particularly at this time when some industries (such as forest products) are struggling to find enough equipment." In general, all sides recognized the need for immediate action in reducing the problem of multiple regulations and configurations among the jurisdictions.

In March, 1994, the Task Force met again, resulting in a discussion paper being drafted "... to present a preliminary framework and proposal for harmonization of vehicle weight and dimensions regulations in Eastern Canada."

On April 25, 1994, a meeting of the Task Force members, carriers and shippers took place in Fredericton, NB, to discuss the latest proposal of the task force. The various carrier industry representatives (i.e., the Ontario Trucking Association, the Quebec Trucking Association, the Atlantic Provinces Trucking Association, and the Private Motor Truck Council) had little time to formulate a cohesive response, thus they reserved the right to comment further at a later date.

At a meeting in Montreal on June 8, 1994, the various carrier associations (OTA, QTA, APTA and the PMTC) submitted a consolidated proposal. It was hoped that, even if industry could not support the total proposal from the earlier discussion paper, agreement could be reached on the most common configurations. At that time, the Task Force took the proposal and each member

province was asked to complete a detailed cost examination of the impact the proposal would have on their respective transportation infrastructure. Results were expected in the fall of 1994.

In a letter from the Chairman of the Task Force written December 19, 1994, he stated, "The evaluations being undertaken by the transportation departments of the six provinces have proven to be more complex than anticipated, and unfortunately are not yet complete." As of March 31, 1995, these evaluations still had not been presented, but a meeting was scheduled for April 13, 1995, in Toronto.

Provincial governments did not wait for an agreement stemming from the Task Force as some proceeded with revisions to their regulations. On June 23, 1994, New Brunswick announced changes to their regulations. The main areas of change include:

- *Effective July 1, 1994, tandem axle groupings were standardized at 18,000 kg regardless of axle spacing. Tridem and triple-axle groups are allowed up to 26,000 kg, depending upon spacing.*
- *As of September 1, 1994, the 15% special tolerance (1350 kg/axle) for raw forest products dropped to 500 kg for single axles, 2,000 kg for tandem axle groups and 2,500 kg for tridem or triple axle groups.*
- *As of January 1, 1995, the only tolerance permitted for all other commodities is 500 kg per axle except for raw forest product.*
- *Permits will continue to be issued for 16.2 m (53-foot) trailers and 25 m (82-foot) tractor twin-trailers until the regulations are amended.*
- *On January 1, 2005, lift axles on all trailers will not be recognized for weight purposes.*
- *As of January 1, 1995, all vehicles operating with liftable axles require a Lift Axle Equipped Vehicle permit at no cost.*
- *From September 1, 1994, to March 31, 2000, trucks hauling raw forest products found to exceed their axle weights but not their gross weight may redistribute their load to comply with allowable axle weights (including tolerances).*

The Province of Newfoundland and Labrador amended its vehicle regulations effective

March 31, 1995, to authorize the use of 53-foot trailers and 25 m A, B or C train double combinations subject to the vehicles having specified conspicuity markings and certain safety equipment.

New Brunswick and Prince Edward Island continue to allow the use of these vehicles under a permit system pending changes in their regulations.

TRANSBORDER AND INTERNATIONAL AIR SERVICE LIBERALIZATION

Significant changes were introduced during the year in review to both transborder and international air service regulations. The transborder or "Open Skies" negotiations which have been ongoing for several years finally resulted in an agreement which provides access to a large number of transborder routes to both Canadian and American air carriers. Transport Canada also introduced a Canadian policy for international air transportation.

Transborder Air Services

In late December, 1994, the United States and Canada jointly announced a framework for a new bilateral air agreement that would remove most restrictions on air cargo service between the two countries. The framework was used as the basis of formal bilateral negotiations that began in January, 1995. These negotiations resulted in an agreement signed by Prime Minister Chrétien and President Clinton on February 24, 1995.

The former bilateral deal, in place since the 1960's, placed heavy restrictions on air service. It limited aircraft size, package weight and size and forced some airlines to operate inefficiently.

Some restrictions will remain at the major Canadian airports of Toronto, Montreal and Vancouver. These restrictions will be phased out over a three year period.

Cabotage prohibition will remain in place. Cabotage is the practice of picking up passengers or freight in a foreign country and then flying those passengers or goods to a destination in that same foreign country.

Some cost savings for travellers and shippers are expected due to greater efficiencies and competition. The major benefit, however, will be the opening up of more routes providing more direct services. As of this writing, Air Canada has announced a direct service between Halifax and

Chicago and Northwest Airlines has announced direct flights between Halifax and Detroit.

The APTC has long supported the need for expanded transborder air service for both passengers and cargo between the Atlantic Provinces and the United States. The Commission appeared before a Special Committee of the House of Commons back in 1990 (see *1990-91 Transportation Review and Annual Report*).

International Air Transportation Policy

The federal government announced in December, 1994, a new International Air Transportation Policy. Under the new policy, any Canadian carrier may apply to the Minister of Transport for authority to operate in countries where the currently designated carriers is not operating or is under utilizing the authority. This policy opens up 37 destinations for which Canada has negotiated route rights but for which the designated carriers have chosen not to use those rights.

The federal government recently announced that several little-used routes will be re-assigned (including Tel Aviv, Brussels, Manila, Ho Chi Minh City and Madrid) to the most deserving applicant. Both national airlines have expressed interest in some of these routes.

A foreign country may now apply for one of its carriers to commence a total of twice-weekly service from the foreign country to one or more points in Canada of its choice, with the exception of Toronto. This provision applies only where no agreement already exists and there is no Canadian carrier interested in providing the service.

The policy is also designed to protect the consumer by requiring new carriers wishing to operate international charter services to meet minimum financial requirements before being given a licence. New entrants will be required to obtain a licence to operate air services before they sell transportation services.

NATIONAL AIRPORTS POLICY

In July, 1994, Transport Canada released its National Airports Policy outlining the Department's future role in Canada's airport and air navigation systems.

Under the new National Airports Policy, Canada's largest and busiest airports will form the National Airports System. These facilities currently handle 94% of all air passengers and cargo. Five of these airports have already been leased to local airport authorities. The remaining 21 sites will be transferred to Canadian Airport Authorities (CAA's). Atlantic Region airports included in the National Airports System are: Fredericton, Moncton and Saint John, NB; Halifax, NS; Charlottetown, PE; and, Gander and St. John's, NF.

Under the National Airports Policy, the federal government will maintain its role as regulator but will change its current role from airport owner and operator, to that of owner and landlord. While the federal government retains ownership of these airports, they will be leased to Canadian airport authorities. These local operators will be responsible for financial and operational management.

Ownership of regional/local and other smaller airports will be transferred to regional interests over a five-year period beginning April 1, 1995. Regional and local airports serve scheduled passenger traffic but handle fewer than 200,000 passengers each year. In the Atlantic Region, these include: Chatham, Charlo and St. Leonard, NB; Sydney and Yarmouth, NS; and Churchill Falls, Deer Lake, Goose Bay, Wabush, Stephenville and St. Anthony, NF.

The policy is intended to provide locally-operated airports with the ability to function in a more commercial and cost-efficient manner, more responsive to local needs and better able to match levels of service to local demands. To facilitate the changes proposed under the National Airports

Policy for the national airport system and the regional/local airports, the federal government will introduce measures to make its airports more cost-efficient and thus make local operation and ownership more attractive. The current levels of service will be adjusted to meet demand and existing user fees and charges will be applied more widely. New user fees for specific capital projects at larger airports, as well as for capital and operating requirements at regional/local airports, may be introduced by the federal government or the new operators. These measures will assist airports in becoming self-sufficient and remain viable in the longer term.

The Air Navigation System (ANS) allows the safe and efficient movement of aircraft from origin to destination. It does this by providing air traffic control in domestic and international airspace, flight information services (such as weather briefings for pilots), airport advisory services and air navigation aids. These services are delivered through area control centres, air traffic control towers, flight service stations, a national radar system, communications systems, computers and operational software, radar display systems and navigation aids.

Transport Canada has announced that it will transfer the operation of the ANS to a planned not-for-profit corporation run by a joint venture of airlines, pilots and controllers. This corporation will operate as a public utility, pricing its services to recover all costs from users, including any debt servicing costs. Prior to the transfer, all necessary regulations will be put in place to maintain the present safety standards in the new operating environment. Revenue will come from user fees and a new charge on foreign carriers that fly over Canadian air space. The new corporation is expected to take over the operation of the ANS by April 1, 1996.

NTA DECISIONS

In its capacity as administrator of the National Transportation Act, 1987, the National Transportation Agency issues decisions and rulings on many transportation issues. Several significant decisions made during the past year are summarized below.

CP Acquisition of Cast

On August 22, 1994, the National Transportation Agency received notice, pursuant to Section 252 of the *National Transportation Act, 1987*, of CP Containers (Bermuda) Limited proposal to acquire 100% of the outstanding shares of Cast North America Inc. of which Cast North

America (Trucking) Ltd. and Cast Transport Inc. are wholly-owned subsidiaries.

A total of three objections were received to the application by CP Containers. The objectors included Howard E. Crosby, Q.C., The Mid-Atlantic Shipping Corporation and CN North America. Letters from interested parties were received from the Atlantic Provinces Transportation Commission, the Halifax-Dartmouth Port Development Commission and the Halifax Port Corporation. The APTC expressed apprehension about the combined effect of Canadian Pacific's purchase of the Cast Group and its proposed acquisition of the eastern Canadian business of the Canadian National Railway Company. Similar concerns were submitted by the Halifax Port Corporation.

Subsequent to the notice of the public hearing, eleven interventions in support of and ten interventions in opposition to the proposed acquisition were filed with the Agency. The opposing interveners claimed that the proposal, if implemented, would provide the combined entity of Canada Maritime Limited and Cast Marine Holdings Ltd. and its subsidiaries with the ability to raise prices significantly at the Port of Montreal and would lessen competition.

Based on the National Transportation Agency's analysis, the Agency concluded that the proposed purchase of Cast Group container lines by CP Containers (through its subsidiary Canada Maritime or Camar) is not inconsistent with the National Transportation Policy provisions of the National Transportation Act, 1987.

The Agency concluded that the proposed acquisition would not have any significant impact upon CN North America. CN has not transported containers for Cast out of Montreal since 1986.

The Agency also concluded that Canadian shippers would not be negatively affected by the acquisition but rather the expected efficiency gains of the combined Camar/Cast operations would maintain a world-class level of service to Canadian shippers.

The Agency stated that they could not conclude that the benefits to the Port of Montreal will be at the expense of or to the detriment of the Port of Halifax.

The Agency concluded its decision by noting that it "... is of the opinion that these proposed acquisitions are not against the public

interest and therefore, the proposed acquisitions are not disallowed." Following this decision, CN filled an application for Leave to Appeal to the federal Court of Appeal which was subsequently denied March 3, 1995.

Air Atlantic Ltd.

Notice was given to the National Transportation Agency, pursuant to Section 252 of the *National Transportation Act, 1987*, that 3075958 Canada Inc. proposes to acquire substantially all of the assets of Air Atlantic Ltd. (Air Atlantic).

The proposed acquisition of all assets of Air Atlantic arises out of an Amended Proposal filed under the *Bankruptcy and Insolvency Act (Canada)* by the creditors of Air Atlantic at a creditors' meeting held on November 28, 1994. The airline will operate as Air Atlantic (1995) Ltd. and will provide the domestic and international air services previously provided by Air Atlantic.

Upon completion of the proposed acquisition, it is intended that the shareholders of 3075958 Canada Inc. will consist of certain secured creditors of Air Atlantic, namely the Canada Life Assurance Company, Confederation Life Insurance Company and British Aerospace Regional Aircraft Ltd., as well as Craig Dobbin Limited (an existing shareholder of Air Atlantic) and 2246153 Nova Scotia Limited (a company wholly-owned by the employees of Air Atlantic).

Air Nova objected to the proposed acquisition if the applicant "... is either controlled, in law or fact, its operations significantly influenced or more than 25% of its voting shares are owned by 'non-Canadians'." Air Nova also submitted that it did not object to the proposed acquisition "... if the ownership and control issues are resolved in accordance with the legislation and policies of the NTA and the Minister of Transport."

The Agency noted that the proposed acquirer is not Canadian within the meaning of Subsection 67 (1) of the NTA, 1987. The Agency also noted that Air Atlantic (1995) Ltd. will be exempt until October 31, 1995, from compliance with Section 67 of the NTA which requires Canadian ownership and control of airlines seeking to be licensed as domestic air carriers. The exemption is conditional on the airline remaining current on all accounts with Transport Canada and providing regular updates to the Transport Minister on the progress of restructuring.

Air Atlantic has made a commitment to meet the Canadian ownership requirements within the nine-month period. Before the exemption expires, Air Atlantic will have to demonstrate

to the satisfaction of the Transport Minister and the National Transportation Agency that it meets the requirements of the legislation. The exemption will not be renewed.

APTC STRATEGIC PLAN

During the past year, the APTC, through a committee of Directors, completed an evaluation of its objective and functions, as part of a strategic planning process. The role of the Commission has reflected considerable change in recent years, particularly since the implementation of federal and provincial regulatory reforms in transportation beginning in 1988. The advocacy role has taken a greater proportion of the time and resources of the APTC in recent years.

The planning process identified important roles of the APTC, including the advocacy role of addressing transportation policy issues on behalf of regional shippers, and an advisory service providing transportation information to shippers and to sponsoring provincial governments. Also, more emphasis is to be placed on special projects as a

means of generating additional revenue and reducing the reliance on the provincial governments for funding.

Through the strategic planning process, a number of changes were made in the objective and functions of the Commission (see page 13). Greater emphasis has been placed on the need for economic, efficient and adequate transportation services to meet the needs of shippers and thus foster economic development in the Atlantic Provinces.

In order to supplement the internal review of the objective and functions of the APTC, the Board of Directors has determined that an external review of the mandate of the Commission is required. A management consulting firm has been engaged to undertake this work in 1995.

SERVICE TO INDUSTRY

The primary objectives of the APTC are: *(i) to ensure the provision of economic, efficient and adequate transportation services to meet the needs of shippers and thus foster economic development in the Atlantic Provinces; and, (ii) to seek out opportunities to effect economies in the use of transportation by both industry and governments.* In achieving these objectives the APTC provides a wide range of assistance on such matters as rates and service information, expertise in rate negotiations, information on the Atlantic Region Freight Assistance Program, carrier's liability, regulatory matters, railway abandonments to name a few. Much of this type of work is of specific nature and in most cases confidential. Accordingly, detailed coverage in this report is not possible. However, to give an indication of the broad range of matters dealt with during the past year, the following is provided.

Numerous inquiries were received during the past year regarding the Atlantic Region Freight Assistance Program from shippers, carriers and government departments. Requests included program interpretation, commodity eligibility and carrier certification. A large number of companies were assisted by the APTC in ana-

lyzing the impact of the elimination of the program on their operations.

A number of inquiries were received from both industry and carriers on such topics as transport of dangerous goods, carrier's liability, terms and conditions of carriage and settlement of loss and damage claims. While the APTC is not an arbitrator in these matters, information is provided based on past experience and knowledge, as well as the availability of technical articles and material in the APTC library.

Several government agencies and departments contacted the APTC for information in the past year. Inquiries ranged from transportation and plant location analysis to specific government policies and regulations.

A significant number of potential and actual regional exporters requested guidance from the APTC on shipments to overseas markets. The APTC provided contacts and advice on issues relating to export shipments and secured rate quotations, both air and marine, on behalf of these companies.

Several post-secondary students attending regional educational institutions were provided with transportation related information through staff guidance and technical material from the APTC library.

A large number of companies in the Atlantic Region contacted the APTC for guidance and

contacts regarding various transportation related issues/problems. Some of these matters included statistical transportation-related information, carrier contacts, weights and dimensions and spring weight restrictions, bill of lading information, interswitching and railway running rights provisions.

MEETINGS AND CONFERENCES

In addition to being a member and participating in regular meetings of the Transportation Committees of several regional trade organizations, the following summarizes the APTC's par-

ticipation in meetings and conferences during the past year where an address, prepared report, or a specific leadership role was involved:

Table 7

<u>Date</u>	<u>Conference/Meeting/Organization</u>	<u>Nature of Participation</u>
1994		
April 12	Moncton YMCA Enterprise Program	Address
May 17	Freight Assistance and Jobs Conference	Organizer/Address
May 27	Atlantic Provinces Chamber of Commerce Annual Meeting	Report
June 23	Saint John Transportation Group	Address
July 13	Moncton YMCA Enterprise Program	Address
August 16	PC Atlantic Caucus Meeting	Address
August 18	Atlantic Region Freight Assistance Conference	Organizer/Address
September 7	Halifax Shipping Association	Address
September 27	Saint John Port Days	Panelist
October 3	Transport Canada Rail Renewal Workshop	Address
October 13	Export Now Seminar	Address
November 28	Moncton YMCA Enterprise Program	Address
December 2	New Brunswick Exporters to Japan	Address
December 13	Nova Scotia Voluntary Planning	Address
December 15	Task Force on CN Commercialization	Submission
1995		
February 3	Atlantic Farmers' Council Annual Meeting	Address
March 9	Moncton YMCA Enterprise Program	Address
March 16	House of Commons Standing Committee on Transport	Submission

OTHER ACTIVITIES

In addition to the work undertaken by the APTC, as outlined earlier in this report, the Commission undertakes a number of activities on a daily basis.

The APTC's monthly newsletter of current transportation events and issues, "*Tips & Topics*", continued to be published, with a circulation of 2,330 copies.

The Commission continued its close association with a number of organizations both within and outside of the Atlantic Region. Liaison is maintained with the Atlantic Divisions of the Canadian Manufacturers' Association, the New Brunswick Potato Shippers' Association, the New Brunswick Peat Moss Association and the Prince Edward Island Potato Board. The APTC is also a member of the Transportation Committees of the Metropolitan Halifax Chamber of Commerce; Ca-

nadian Feed Industry Association (Atlantic Division); Maritime Lumber Bureau; Nova Scotia Forest Products Association; Saint John Board of Trade; Transportation Sector of the Voluntary Panning Group of Nova Scotia; and the Greater Moncton Chamber of Commerce Airport Committee and the Transportation and Distribution Committee.

Memberships continued to be maintained in the following organizations: the Atlantic Provinces Chamber of Commerce; Canadian Port Development Forum; Canadian Shippers' Council; Canadian Transportation Research Forum; Greater Moncton Chamber of Commerce; and the Transportation Club of Moncton. The General Manager is a member of the Canadian Chamber of Commerce Transportation Committee, the Freight and Passenger Transportation Committee of the Transportation Association of Canada, as well as being a Director and Vice-Chairman of the Canadian Shippers' Council.

Membership in these various organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community.

At the request of the New Brunswick Department of Transportation, the APTC conducted a survey of shippers regarding CN's proposal to abandon the Nashwaak and Oromocto Subdivision (total distance of 48.91 miles). The NBDOT

was provided with a summary report of the survey results.

In the past year, the APTC was asked to assist the New Brunswick Department of Transportation in identifying possible commodities that may have the potential to increase traffic through the Port of Dalhousie. The APTC analysis of past, present and potential commodity flows represented one portion of a larger report prepared by the NBDOT.

In addition, the APTC published the fifteenth edition of the *Directory of Ocean Shipping Services*, which highlights regular scheduled container and breakbulk services between the Ports of Saint John and Halifax and world ports. The cost of this publication is co-sponsored by the Halifax and Saint John port organizations and the APTC.

At the conclusion of the year under review, a major publication of the APTC's, the *Atlantic Provinces Transportation Directory*, was in the process of being reissued and is expected to be available for distribution early next year. The former loose-leaf format is to be replaced by a bound publication to be issued on an annual basis. The directory will continue to provide comprehensive information on services provided by all modes of transportation in the Atlantic Provinces. This project is done on a cost-recovery basis and contributes to office overhead expenses.

COMMISSION DIRECTORS

During the past year there were a number of changes in the membership of the APTC Board of Directors. Changes during the past year are highlighted below.

Provincial Government Appointments

James Cowan, of the law firm of Stewart McKelvey Stirling Scales of Halifax, NS, was appointed by the Nova Scotia Minister of Transportation in May, 1994, for a term of two years.

Atlantic Provinces Chamber of Commerce Appointments

Everett Dalton of Port Williams, NS, completed his term of office in May, 1994, after serving with the Board for a period of six years. He

was replaced by **J. Ed Macdonald**, President and General Manager, Nova Scotia Textiles Limited, Windsor, NS.

Ross Creelman of Fredericton, NB, resigned from the Board in September, 1994, due to business and travel commitments. This vacancy was filled in October, 1994, with the appointment of **Bev O'Keefe**, President and C.E.O., Juniper Lumber Co. Ltd., Juniper, NB.

Don McNeil of Liverpool, NS, resigned from the Board in October, 1994, due to a new posting with his company outside the country. This vacancy was filled in February, 1995, with the appointment of **Ron Wallet**, President, Ven-Rez Products Ltd., Shelburne, NS.

There were no vacancies at year end. A complete listing of APTC Directors is contained on page 8 of this report.

ACKNOWLEDGMENTS

The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal cooperation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support and the participation of the governments and their officials in the work of the APTC, the benefits of the Commission to the industrial and business community would not be possible.

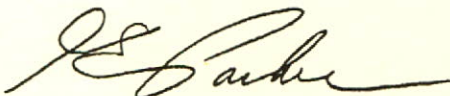
The support of the Atlantic Provinces Chamber of Commerce, in the form of appointments to our Board of Directors, is an important part of the Commission's structure. Through these appointments, together with the participation of the APCC President on our Board, the business community is well represented and this is gratefully acknowledged.

Also, the APTC's work would not be successful without the cooperation of the carriers serving the region. This cooperation is mutually beneficial and the thanks of the Directors and staff go to the carriers and their agencies.

Much of the success of the APTC is due to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic Provinces. The Chairman and General Manager express their thanks to this dedicated advisory group.

Finally, without a loyal and dedicated staff, the work undertaken by the APTC and the success that is achieved for business and industry would not be possible. The APTC is indeed fortunate to have such a staff. To them, the Chairman and General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.

All of which is respectfully submitted.



Ira Parker
Chairman



Ramsay M. S. Armitage
General Manager

APTC HISTORICAL NOTES	
ORGANIZATIONAL NAME	YEARS
Atlantic Provinces Transportation Commission	1969 -
Maritimes Transportation Commission	1951 - 69
Transportation Commission of the Maritime Board of Trade	1928 - 51•
Maritime Freight Rates Committee	1925 - 28
APTC CHAIRMEN	
Ira Parker	1993 -
David A. Scales	1991 - 93
Brian K. Wentzell	1988 - 91
George Key	1985 - 88
E. S. Bailey	1983 - 85
Elwood S. Dillman	1980 - 83
George D. Wright	1978 - 80
Glendon F. Eddy	1976 - 78
Norman H. Smith*	1974 - 76
David G. Burchell*	1971 - 74
J. M. Crosby*	1963 - 71
A. Murray MacKay*	1954 - 63
L. W. Simms*	1950 - 54
D. R. Turnbull*	1945 - 50
J. D. MacKenna*	1940 - 45
D. R. Turnbull*	1938 - 40
J. D. MacKenna*	1936 - 38
D. R. Turnbull*	1934 - 36
A. P. Paterson*	1925 - 30•
APTC MANAGERS	
Ramsay M. S. Armitage	1988 -
Craig S. Dickson	1960 - 88
Howard A. Mann	1955 - 60
Rand H. Matheson	1934 - 55
Frederick C. Cornell*	1925 - 30•
* Deceased	
• Following the beginning of the Depression in 1929, the operation of the Commission under a full-time Manager ceased from June 30, 1930, to August 1, 1934.	

