Trucking Air Freight South?
Yes. By Road Toronto-New York
Then Cheaper Freight Flights On

It’s an oft-told tale and one that sober second thinkers in the Senate of Canada don’t mind borrowing --- that Canadian airports are ridiculously expensive for airlines to land at or take off from, driving Canadian travellers in the millions across the border to take cheaper flights abroad or across North America. A corollary that the Senators do not mention, but that Jeff Cullen does, is that they drive cargo away as well, from coming or leaving Canada by air with the result that many a shipper hires trucks to take cargo to New York or Chicago from the Toronto area, there to take a plane for destination. Jeff Cullen is chair of the air freight committee of CIFFA (Canadian International Freight Forwarders) and knows whereof he speaks.

Cullen, the CEO of BellvillRodair International, a Canadian-based forwarder with 21 offices in 12 countries, has watched global freighter lines stop using Toronto because of high airport costs. “Fifteen and 20 years ago, we were more competitive as a gateway than other U.S. airports, but no longer,” he said in an interview with The Bar-Code Border.”

“…we do handicap ourselves in Canada, because of the costs,” he said. “We have seen freighter operators come and go out of the Toronto gateway, in favour of landing planes at Chicago and New York and then trucking to Toronto.

Good Logic, Or Magic Beans?
A Sceptical Point Of View

Look sceptically on the chief recommendations of the Senate committee on airports in Canada, advises Toronto lawyer Gavin Magrath, legal counsel for the Canadian International Freight Forwarders Association or CIFFA as it is known. Don’t buy too easily the notions that major airports should pay no rents at all to the federal government owner, through Transport Canada, or that ownership should be given to the not-for-profit airport authorities that operate and run the 26 larger, international, gateways.

A recommendation that the airport authorities themselves develop evaluation and oversight systems is “like letting the fox guard the henhouse,” Magrath told The Bar-Code Border. “The recent Ontario experience with fraud and waste at ORNGE, the private not-for-profit air ambulance operator, should be ample warning that this model is fraught with hidden dangers and the potential for abuse,” he said.

It is not just the landing fees charged at Toronto, which the Senate committee report zeroes in on, but that and an array of other costs including the Cullen bête noire, Nav Canada (flight control) fees that make Toronto the most or one of the most expensive airports in the world, for airlines, with Calgary and other Canadian airports not that far behind.

“The cost of air traffic control through Nav Canada alone is a big number as an overall percentage of freighter costs,” Cullen said. “It can be 5, 8, 10 percent per kilo of the cost of transporting from Toronto to London, for example. That’s just the Nav Can charge. That additional cost is the cost of trucking from

Pearson has high fees
Yes. (continued)

Toronto to New York on a per kilo basis. A lot of guys would rather truck to New York and pick up an airline at that gateway.”

The Senate committee report, presented after long and wide hearings, wants an air strategy that treats all Canadian airports “as economic spark plugs rather than as a source of public revenue” --- i.e., rents charged the not-for-profit airport authorities that run Canada’s 26 major airports.

The report quotes the Canadian Airport Council as estimating that “4.8 million Canadians opted to take flights from U.S. airports rather than domestic airports in 2011” because flights from them were so much cheaper than from Canada. It said that Air Canada “testified that the infrastructure costs, landing fees, airport improvement fees, air navigation charges and security charges at four American border airports (Buffalo, Niagara Falls, Plattsburgh NY and Bellingham VT) are 229% lower than equivalent costs at the Canadian airports with which they compete.” Of all the charges and fees, “airport ground rents were arguably the most contentious.” These are rents paid Transport Canada amounting to rates of 8, 10 or 12 per cent of gross revenues, with Toronto Pearson, Vancouver and Montreal in the 12 percent bracket,” the report notes.

The costs, need it be said, are recovered from the users.

The Senate committee report does not mention that United States airports are heavily subsidized, and so charge less, and Canadian ones were taken off government subsidies in the early 1990s. The 26 in the National Airport Systems were handed over to not-for-profit airport authorities to be operated as businesses (and to pay some $2.5 billion in ground rents to the federal government over the last 10 years).

The Conference Board of Canada reckons that federal fees and taxes are not alone as causes of higher Canadian airline fees. It said Canadian carriers are less competitive than U.S. carriers, because of higher labour, fuel and aircraft ownership costs and lower aircraft utilization rates. These all contribute about 50% of the cost differential with U.S. airlines, the Conference Board said, while airport fees contribute about 25% of the difference

But the U.S subsidies do hurt.

Take, for instance, Montreal’s feeder airport if you will, at Plattsburgh, New York. Highly subsidized, it cheekily advertises itself as “Montreal’s U.S. Airport” --- and drains an estimated 60,000 to 100,000 passengers a year from the Montreal area.

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Good Logic. (continued)

"While charging arbitrary ground rents is clearly not the most economically effective strategy, selling off public assets is in my opinion a strategy with high risks and few rewards," Magrath says. "Experience shows that the government generally realizes a price well below the market price, locking in an economic loss on years or even generations of community investments. Of course the national asset remains of national importance -- why else would the Senate spend all this time and money on a report? -- but the public discovers to their surprise that for-profit owners/managers actually run the thing for profit and not in the best interests of a globally competitive Canadian marketplace: prices go up, service levels go down, and the angry public finds that they have sold their birthright for magic beans."

Magrath questions the logic of recommending, as the report does, that a national strategy be established with regional and northern investments and with better oversight and management, and at the same time to say that the answer is to end federal ownership, reduce federal oversight, and trust that the free market will work naturally at both the biggest airports and in Northern Canada "where it’s an essential service immune to market prices".
More E-Manifest, June 9 Starts For Freight Forwarders

Right around the corner, on June 9, Canada Border Services Agency starts up the last in its e-manifest list of segments of trade transportation to enlist, the freight forwarders.

Exclusively electronic reporting of cargo and conveyance data before a truck arrives with cargo for Canada is up and running---the highway mode. Air and marine carriers, and rail carriers, are in what is called a compliance mode presently, where they can and should be filing electronically but enforcement is still a fairly long way off.

Forwarders are the last group to be enlisted, and CBSA has the necessary procedures and software in place to handle advance housebill data (effectively, bill of lading data) arriving electronically from forwarders. That starts June 9 and the compliance period --- in which they should file in the new way but will not be penalized if they do not -- will last until about July 2014. After that comes enforcement.

Oryst Dydynsky, a prominent logistics systems consultant, has been travelling the country for about 18 months on this latest mission, to explain to management and senior management of forwarding companies the new data that will be required (not a great change) and the ways in which it is to be provided to Customs and what Customs may say back to them under differing circumstances.

Day-Long Sessions On How To Comply

Dydynsky has been holding meetings with forwarders along with Ruth Snowden, executive director of CFIA (Canadian International Freight Forwarders Association), and a CBSA representative. The CBSA person lays out the new rules and regulations forwarders must know and follow, and Dydynsky and Snowden in day-long sessions explain how to comply.

They expect to continue doing that for the following year, since, as Dydynsky says, “we learned with the highway folks that people in the industry tend to leave things until the last minute, so there will be explanations and encouragements right to the beginning of the mandatory compliance period.’ They will drill the forwarders in all the working details of the housebill data to be provided, how it is to be provided, how to know that it has been properly received, how to handle comebacks from CBSA whether simply acknowledging receipt or seeking further information. --- ‘how to deal with rejections, corrections, amendments’ as Dydynsky puts it.

A feature that should save the forwarder time and effort will be one that allows the company to send the required data not only to Customs but to Customs Brokers and to Warehouses as well, as entities that have to know what the shipment is and where it is going.

On the same June 9th, CBSA will have all systems go for the transmission by air and marine carriers of what are called Conveyance Arrival Certification Messages and notification of related transactions --- this will be on a testing basis of the new arrival message and notifications of transactions.

With the freight forwarders brought in, and all the data being or about to be exchanged between the trade and the CBSA, notes Dydynsky, “we will be in a Customs process that is virtually paper-free. That’s so on the CBSA side, at least: some in industry will still be conducting the paper chase for a while yet.”

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The Bar-Code Border® May 17, 2013
Bigger Ships, More Cargo For Port of Montreal

The Port of Montreal expects expanded cargo traffic with a decision to allow markedly wider vessels to reach Montreal through the St. Lawrence River --- wider means more containers can be carried per vessel and vessels of greater size can call Montreal.

The Canadian Coast Guard took the decision to allow vessels up to 44 metres wide to navigate the river from Quebec City to Montreal, from a previous authorized width of 32.1 metres.

The decision followed a study commissioned by the Montreal Port Authority and conducted by the CCG with Transport Canada and two regional pilotage authorities. What it means is that 6,000-TEU (20-foot equivalent units) container ships will be able to call Montreal instead of the maximum 4,400 TEU vessels.

In tonnage, ships will go from carrying 45,000 tonnes to 90,000 deadweight.

Port authority spokesman Yves Gilson said it was difficult to calculate the traffic increases that may ensue, but that the announcement tells shipping companies that “they can increase the size of the vessels on their already-existing services with the Port of Montreal, and (says) to those that are not coming yet that Montreal is ready to accommodate post-Panamax vessels.”

No dredging or other changes are required in the river. One container terminal at the port (Termont) is equipped with the larger post-Panamax cranes, while the other two presently have Panamax cranes.

Sylvie Vachon, president and CEO of the Montreal Port Authority, said the new capacity “will allow the Port of Montreal to strengthen its position as North America’s leading port for container traffic with Europe.” Shipping lines, whether with container or bulk vessels, “will be able to substantially increase capacity on their services to Montreal, which will inevitably lead to benefits for the Port’s broad customer base,” she said.

Montreal handled 1,375,327 TEUs in 2012, representing 12 million tonnes of cargo. The port handled as well 9.7 million tonnes of liquid bulk, 3.5 million tonnes of dry bulk, and 3.1 million tonnes of grain in 2012.

This year to the end of April it has handled 1.87 million tonnes of inbound containerized traffic, the very same as in the period last year, and 2.05 million tonnes of outbound cargo, a slight advance over the 2012 period. The traffic expressed in TEUs is a 4.4% decrease in inbound TEUs to 212,997, and a 0.6% decrease in outbound traffic to 220,637 TEUs.
Late Winter Depressed Shipping To & From Seaway Ports

The first several weeks of the new navigation season for the St. Lawrence Seaway have seen notable declines in traffic from the period last year. The 2013 Seaway season so far, from opening on March 22 through April, has seen a decline of 17.28% or 788,000 tonnes in cargo carried, to 3,772,000 tonnes from 4,560,000, according to statistics released this week. Blame it on the long winter, says spokesman Andrew Bogora.

Two mainstays of traffic, iron ore and coal, had lifted the Seaway’s performance last year and the year before with new exports to Europe. They are down so far this year by 17.15% to just 982,000 tonnes for iron ore in the first few weeks of the season, and down by 34.21% to 824,000 tonnes for coal.

General cargo, mostly steel products and iron slabs, is down 13.33% to 235,000 tonnes.

``The long winter delayed opportunities for shippers to start moving product,” Andrew Bogora, spokesman for Canada’s St. Lawrence Seaway Management Corporation, told The Bar-Code Border.

For example, winter ice at the Port of Duluth continued until well into April, Bogora said. “It was true for almost every shipper that the long winter brought about a slower spring season than we otherwise would have experienced,” he said, and hopes are that tonnages will be made up in ensuing months.

“There were strong export flows in iron ore and coal in 2012 and the outlook for 2013 is reasonably good despite the slow start,” Bogora said. He was optimistic as well for grain during the full season. Grain is down only slightly so far this year.

The Seaway authorities when the season opened expected to exceed 40 million tonnes carried in 2013. That would be an advance of just under 3% from the 38.9 million tonnes carried in 2012, which itself was up by 300,000 tonnes from 2011.

A Matter Of Taste For 125 Years

The busiest bridge in Canada, the aging and rapidly decaying Champlain Bridge in Montreal, is to be replaced by a new bridge at the same site, up-to-date and built to last, the authorities say, for 125 years. The at present no-name new bridge, being called, in English, NBSL (New Bridge For The St. Lawrence), is going through discussions with the public and all manner of government jurisdictions to decide whether it will be built by public/private partnerships (to bear much of the $3 to $5 billion cost).

The latest move is the announcement this week that the new structure will have “architectural quality”, perhaps a classic “signature bridge” concept like the much-emulated Golden Gate bridge in San Francisco. The feds say they will work with the City of Montreal and “local and international experts” to come up with a report by late summer. Local stakeholders, whoever they may be, will get to voice their opinions --- no word on public voice, perhaps because that kind of ruckus derailed the “signature bridge” idea for a new Peace Bridge at Buffalo-Fort Erie.

Ice On The Lakes

Within the Great Lakes, ice in a late spring delayed shipping. From Cleveland, the Lake Carriers’ Association reports: “Heavy ice cover on the Lakes that stretched well into April slowed the resumption of the limestone trade (first of the category reports made each month by the LCA).”

“Shipments totalled only 1.8 million tons (U.S. short tons), a decrease of 28% compared to a year ago. Loadings are 21% off the month’s five-year average.” Shipments from U.S. ports were off 24% from a year ago, and those from Canadian ports (in Ontario) were off 50%.
THE BRIEF CASE

Relax, Chicken Little

"Help! Help! The sky is falling! I have to go tell the king!" There were a lot of Chicken Littles of the old fairytale, when the U.S. Department of Homeland Security wanted to introduce border crossing fees for everyone entering the United States at land crossings from Canada and Mexico. They ran to the king, to opinion in the Congress backed up by sentiments at politicians’ homes, and it seems the rent in the sky won’t open and cut into the $21 billion that Canadians spend in America each year. All manner of Canadian lobbying response, from Ministers of the federal government to Canadian diplomats in the U.S., to trade associations such as the Canadian Chamber of Commerce, and many U.S. Senators and Congressmen and women and the huge automotive business and other companies, weighed in. The Senate’s judiciary committee thereupon rejected the DHS proposal, removing it from a planned Immigration Reform Bill. The same committee rejected another DHS proposal, to build a fence on the U.S.-Canada border as exists along the U.S.-Mexico border.

Chicken Little, of course, ended up being eaten by FoxyLoxy. Nothing so bad is suggested for those who warn against shortsighted impositions of blockages to trade, business and cultural ties that Americans and Canadians share across the border.

On The Other Hand
More Border Patrols

There will be more border patrols, more and better surveillance technologies, but nothing much beyond those to the United States from bad people and threats coming from Canada across the land border, over the next five to seven years. That is the intention of U.S. Customs and Border Protection, as stated recently. It could be that costs had something to do with the choice. The CBP says it has chosen this alternative, which does not state what patrols or technologies or levels of expense will be deployed, over the alternatives of continuing without change and the one of spending on new permanent facilities or improvements to existing facilities, at ports of entry or at access roads and other such places.

New U.S. Compliance Rules Being Set For Child Products

Canadian manufacturers and importers of record into the United States are having to digest important changes being proposed in regulations regarding certificates of compliance that have to be submitted for imported and U.S.-made consumer products for children. Regulations presently require certificates that products are compliant with safety standards as proved by testing conducted by a third-party laboratory. That is being eased, so that certificates will be required only for finished products or parts of such products that are sold to consumers, where they are subject to existing safety rules or regulations.. Component parts, intended to be used in the manufacture of finished products, would not have to be accompanied by such certificates. Three additional pieces of information will be required, three more data points, along with perhaps more information as to names of manufacturers in the U.S. or abroad. Electronic filing will be required. More information can be had from the U.S. Consumer Product Safety Commission --- Beth Ring at 212-549-0133, or Edward Snow at 202-730-4970.

You Need, G-20 Nations To Get With It

The “it” that the Group of 20 nations need to get with is where the International Chamber of Commerce rates them as “poor.” And that is efforts to advance the freer flow across borders of business investment and trade. The ICC evaluation comes from business community recommendations made to the Chamber and tested among the developed and developing members of the important international group of nations. The score for the G-20 is “poor” on promoting trade liberalization within the World Trade Organization and “poor” in removing restrictions on trade and investment that have grown since the global recession and financial crisis. The rating for G-20 efforts on anti-corruption is “far”, for energy and the environment “fair” and for financing for growth and development, “good.”

A Cautionary Tale For Northern Border

Those who watch with concern to see that border crossing delays between Canada and the United States are held to a minimum will see cautionary alarms at the southern border, U.S.-Mexico. Delays at crossing points there cost the U.S. economy US$7.8 billion a year, according to transportation analysts at Bloomberg Government, as reported by Bloomberg News. The U.S. Senate debates securing more remote sections of the border -- fences and such --- when spending should be focused on improvements in technology, infrastructure and staffing at crossings, says analyst Matthew Hummer. The Senate bill does include funding for 3,500 additional Customs officers, on both borders.

Tough On Spending? $10 Million On One Set Of Gov’t Promo Ads

The old and broadly accepted notion of federal government advertising in Canada was that it was used to explain budget or other initiatives in order to tell Canadians details of what was available to them, or being done to them, and how to use them or respond to them. So long, it’s been good to know you (or “know Yuh” when sung by the late great Woody Guthrie). The federal Finance Department is spending $10 million to promote its 2013 budget, after spending $13.8 million to promote its 2012 budget on television, radio and the Internet, and $7.7 million the year before. The present ads simply extoll the Harper Government’s 2013 Economic Action Plan and says in the most general, undetailed, terms that it promotes the welfare of Canadians -- nothing about details of programs and how to access them. Federal research, as told to the House of Commons finance committee, shows that about two-thirds of Canadians do not recall seeing the ads. And of those who remember seeing or hearing the ads, 92% told a survey by Ipsos Reid they did nothing as a result of the ad. The finance department senior official testifying had said Action Plan advertising had created “quite significant” gains in public aware ness of these budgets --- not about what was in them and how to access it.

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