

CIT World

The world-wide newsletter of the Chartered Institute of Transport

Number 1

Spring 2000

WELCOME!

I AM DELIGHTED to launch this first issue of *CIT World* which is intended primarily as a newsletter to keep our membership informed of developments within our Institute, and at the same time provide a commentary and report on international transport and logistics issues.

I hope you will find this new publication interesting and worthwhile. Inevitably, the first issue has to be something of an experiment and I would welcome your views.

Your journal

Unfortunately, in this first issue, we have not realised our ambition of having extensive news reporting from all our overseas Councils, Sections and Branches. It has to be stressed this is your journal, and we need and rely on your contributions if we are to achieve our objective of reporting on a world-wide basis. The editor will welcome your contributions, and how they can be submitted is set out elsewhere in the journal (*page 11*).

It is our intention that *CIT World* will be produced three times a year and will be sent to overseas Councils and Sections, and it is for them to decide how to arrange distribution direct to their members.

To those members who pay their subscriptions direct to London, copies will be sent direct.

I know some members will still be disappointed that "Global Transport" has ceased to be available to members, but unfortunately this was a costly publication and was not financially viable.

In the longer term, I believe we can develop *CIT World* to be a significant journal of substance in its reporting and to be intellectually stimulating on the many issues which affect transport and logistics management.

In *CIT World* we will take the opportunity to comment on important policy, to abstract from papers delivered world-wide to the Institute, and to share, perhaps for the first time, on transport and logistics policy development world-wide.

Learn and build

We can through this journal learn from each other and build on the network strengths that, through membership of the Institute, are available to us.

My commitment to you as the new Director General was to improve the way the Institute communicates with its members. Of course, I need your support and contributions to do so successfully.

**C. Bleasdale,
Director General**

A MESSAGE FROM THE PRESIDENT

— *part of the speech by*
Professor Tony Ridley
at his presidential inauguration in Delhi

I AM HONOURED to be the new International President of CIT. My first task is to thank my predecessor, Tan Sri Dato (Dr) Abdul Aziz Abdul Rahman for all that has been achieved during his term of office.

Let me say something about myself. I am British—and proud of it—but I have lived for five years in the USA and five in Hong Kong, and have been active in European affairs. As President I see myself not as British but as a world citizen.

This is an important time in the history of our Institute. We have our own Director General, and I am delighted by the drive and enthusiasm with which he has taken on the role. We are no longer a child of the UK. We stand or fall by our own efforts.

My first priority is to see the new CIT properly launched and our finances in good shape. Now that the debate on the capitation fee is behind us, I hope we can focus on our agreed purpose and then decide what is necessary to finance it.

Next we must turn to communication. Cyril Bleasdale has made a good start with the Newsletter, but we also need to develop web-based communications fit for the 21st Century. We have already had some dissatisfaction about regionalism. I applaud regionalism which complements internationalism, but regionalism as an alternative to internationalism is something I would deplore. Remember also that it is the international body which holds the power and responsibility to grant Chartered status to transport professionals, albeit acting through national bodies in many cases.

But these are all organisational issues. It is the role of Council to ask what is it all for? While re-inventing ourselves we must re-examine our objectives and ask whether they are appropriate for our developing role.

It will be my responsibility to provide focus for this debate and, of course, I have a leadership role. But leadership, to me, does not mean announcing policies and dragging the Institute with me.

My task is to help Council to work together positively. Decision of Council will be decisions of members of council, and not mine. This puts responsibility on the shoulders of each member of Council. As we step in this direction I am asking vice-presidents to take particular responsibilities on my behalf.

We have come a long way in the last two years, but there is much more to be done.

Good luck to us all!

PRIVATISATION — IS IT AN IDEOLOGY?

by Dr Sudarsanam Padam,

Director, Central Institute of Road Transport, Pune, India.

- *The following is condensed from an article published in the Indian Journal of Transport Management.*

THE BIRTH AND eventual fading of communism spanned the entire 20th Century. The range is perhaps far too wide—from the soft and painless Swedish socialism to the hard and cruel communism of North Korea, Here perhaps were the seeds which ultimately brought down the most powerful ideology of the past century. Now the winds of pragmatism have turned the tide back towards privatisation.

All ideologies begin with people in mind but as the thinking gets solidified people are often forgotten and the pursuit of ideology becomes an end in itself.

It has always been argued that public good is at the base of socialist thinking. Since mobility is an intrinsic part of quality of life, transport as a public good became a matter of policy not only in India and the newly-independent countries, but in the entire world. Europe itself is a classic case of a public transport continent where even today much of mobility through public transport is highly subsidised. It is therefore no surprise that converted into Indian rupees every citizen in Switzerland receives a transport subsidy to the tune of Rs.75,000 per year. The Scandinavian countries did not lag behind. Even the UK privatisation did not mean cancellation or reduction in subsidies. In certain cases subsidies have increased.

In the 1980s, when the privatisation/state ownership debate was still seen in black and white, there was a concerted attempt to demolish public sector institutions which were considered to be wasteful, over-staffed and less productive. Countries like Sri Lanka, Pakistan and Bangladesh were persuaded to abandon public sector transport undertakings without any organised replacement from the private sector.

Thousands of squabbling, undisciplined, profiteering “entrepreneurs” cannot be relied upon to provide co-ordinated and efficient services—with the result the service levels went down, public transport declined and new monsters such as congestion and environmental pollution emerged. The arguments for public transport are inevitably linked with public sector. Whether an unbridled private sector with weak regulatory mechanism, which cannot properly define quality of service, can at all provide public transport is still a question mark even in the best-run countries.

The case of railway privatisation in the UK is currently under debate (*see later article in this newsletter, page 18, by John K Welsby*). The companies which are involved in providing services are making enormous profits but the quality of service is declining. Once again the ideologues are blaming not privatisation as an ideology but the way privatisation has been implemented.

An ideology is neither good or bad—but much depends on the genius of a society in realising the goals of a particular ideology.

The interests of people for whom the ideological goals are put in place is what ultimately matters. The lessons of the 20th Century are that ideologies by themselves do not benefit people. It is the manner in which they are implemented, the human face they wear and the pragmatism with which they are implemented — these are matters which the first decade of the 21st Century will have to cope with.

DELIVERING AN INTEGRATED TRANSPORT POLICY

- *This article is condensed from a paper, recently approved by the Council, examining a range of interpretations of the concept of 'integration' and how it might be applied by governments.*

INTEGRATION can be created first through the linking of transport systems and then through the coherent application of regulatory and fiscal measures. There is a third—or 'macro'—level, where integration may be sought through a range of government policies—in particular where transport and land-use planning are integrated with each other and also with social, economic, environmental and educational policies.

It is at this 'macro' level that the potential for ensuring that any given transport system can be sustained indefinitely seems most likely to be realised.

A systems approach to transport

The most evident instances of integration are found where different modes come together to create 'seamless' journeys for passengers and transfer facilities for freight. 'Park and ride' schemes, where the motorist leaves his car at the edge of a city and is carried forward by (usually) dedicated public transport, are the most familiar example of this type of integration.

Where operations are in private hands such co-operation may be harder to achieve than where public authorities remain in control. But given wide acceptance of the objective of maximising use of public transport, and using the existing infrastructure as effectively as possible, private sector innovation can be expected eventually to deliver the required results.

Coherence of regulation

Complementary with 'on the ground' transport systems, there should be a comparably well-integrated system of transport regulation—which should relate ultimately to national economic, social and environmental objectives.

History and current prospects will determine different solutions in different countries. In some, the situation may require action to *limit competition* in the interests of encouraging investment in an environmentally beneficial transport mode. In other circumstances, a fiscal stimulus may be appropriate. Equally, the weapon of taxation—or a system of charging for hitherto 'free' facilities, such as road space—may be needed to restrain transport demand.

It is crucial that any action adopted reflects as accurately as possible a calculation of the true costs to society (including environmental costs) imposed by any particular transport operation. Less controversial (though also difficult to calculate with precision) are the costs to business and the economy at large caused by inefficiency in the operation of the transport system—in particular through road (and, in a few countries, air, rail or port) congestion.

'Macro-Integration'

Action in many other areas of public policy has potential for changing the demand for transport. Similarly, decisions by commercial organisations — affecting the movement

of goods and materials, the travel to work of employees, and in some cases the journeys which their customers need to make—can profoundly affect the transport system where they are located. Examples abound of developments which have dramatically altered the pattern and scale of movement in a particular locality without regard to the capacity of the infrastructure to cope.

Some of the principles likely to be incorporated in a planning process that embraces the concept of integrated transport are:-

- * minimising car dependency by biasing new residential developments towards existing public transport corridors
- * siting factories and materials handling depots to provide direct access to major road and rail networks
- * limiting out-of-town commercial developments
- * preserving and creating new port and inland waterway facilities as a substitute for land-based development

Although altering *locations* of activities, rather than *movements* between existing locations, will only show results in the long term this is nevertheless a key to a better living environment.

Social policies

The pervasive assumption that most people will have access to personal motor transport can lead governments and social agencies to adopt policies which can frustrate transport planners. Siting of hospitals and schools can provide some of the most striking examples of opportunities missed for integration with public transport.

In the final analysis, transport—or the lack of it—plays a very large part in determining the sort of society in which we live. Perhaps the time has come for some recognition by all agencies of the potential influence of new policies on the use of transport—and for this impact to be measured and assessed before action is taken.

However, in free societies there will always be limits to what governments can do. Decisions about how, when and where people travel will ultimately rest with people themselves. A central part of an integrated transport policy should be to create public awareness of the implications of personal travel decisions.

An international dimension has also been created by the Kyoto accord on the emission of greenhouse gases. Transport is estimated to account for around 25% of all man-made emissions—and the proportion is rising. Development of integrated transport policies will need to be undertaken as a matter of urgency if governments are to achieve target reductions by 2010.

Conclusion

The task is complex. In societies where personal mobility is seen as a basic right, carrying through transport integration will require considerable political courage. The need is more acute in some countries than others, but there is a conspicuous need for nations to learn from each other.

BRISBANE AIRPORT RAIL LINK

— *Air/rail scheme relies on private finance*

- *Brisbane, Australia, is joining the growing ranks of city airports boasting a rail link. But this is a project with a difference — it relies wholly on private finance. Returns to investors will be totally dependent on revenue from fare-paying passengers.*

by Vince Scully

Associate Director, Asset and Infrastructure Group,
Macquarie Bank Limited

BRISBANE AIRPORT RAIL LINK (BARL) will link the airport and the Gold Coast directly — and will provide a one-change service utilising a single ticket to 130 other stations throughout the Brisbane metropolitan area and South East Queensland. Train services will operate four times an hour, for 16 hours every day. The first train is expected to run in May 2001.

Elevated construction

Development of BARL involves construction of an elevated 8.5km spur, linking the airport with the existing Queensland Rail (QR) suburban rail network at Toombul. Two stations will be constructed—at the domestic and international terminals, about 2km apart. QR will provide train services under a 35-year contract. Track and stations will be maintained by Transfield Holdings Pty Ltd—co-developers of the link with Macquarie Bank Limited—under a fixed-price contract for the same period.

Queensland is Australia's second-largest state, attracting 14m domestic and 2m international visitors annually. Brisbane is state capital and home to 1.6m people, and has grown significantly in recent years. Brisbane Airport handles 10m passenger movements annually, dominated by domestic travellers (75% by number) and leisure (63% by purpose).

This mix of passengers, together with poor availability of public transport, has resulted in 80% of air passengers

using private car to reach the airport. A further 11% use taxi.

BARL expects to capture 11% of all airport trips to rail.

The chosen route to the airport traverses a flood plain and four major highways, hence the planned elevated construction. Additionally, visibility of the two stations was required at the airport to attract more passengers. The bulk of the construction consists of pre-cast concrete decks with ballasted track, concrete sleepers, welded track and overhead 22kV a.c. electricity transmission.

Route configuration is predominantly single line with dual track at the junction (with QR) and between the airport terminals.

A syndicate of banks is taking the construction risks. The construction facility consists of a construction tranche of \$105m and an equity tranche of \$70m.

The Transfield operations and maintenance contracts are significant in that they accept full lifetime responsibility for the track and stations in return for an annual fee, and a number of lump sum payments for major maintenance and asset renewal.

40,000 trains

Queensland Rail are contracted to provide approximately 40,000 train services per annum, to certain quality targets, to the turnoff from the QR Northern Line. Airtrain—the airport link—then have an obligation to return the train to the junction on time.

QR will provide crewing for the trains, together with ancillary services such as signalling, train recovery and junction maintenance.

Whilst third party access to public infrastructure assets is available in Australia, and a mechanism for determining access fees is in place, it was not the most appropriate solution for BARL.

Access to the Gold Coast was key to the success of BARL. There are a number of bottlenecks, notably on the cross-river bridge in Brisbane City and on the long single track sections to the Gold Coast, which makes this difficult if Airtrain were to provide its own Gold Coast service.

Seamless services

Subcontracting to QR to extend its existing services as far as the Airport allowed Airtrain to provide seamless services to the Gold Coast without exacerbating these bottlenecks while taking advantage of fleet economies of scale. The existing Gold Coast fleet was already suitable for airport services—fully air-conditioned, with ample baggage storage facilities, and designed for high-speed limited-stop service.

However, the public transport legislation in Queensland required the accredited railway owner and operator to bear the public liability risk for its passengers. This meant that passengers had to become Airtrain passengers when they passed onto the BARL. Accordingly, at the junction with QR, the train is passed to Airtrain under a bailment agreement and the crew are seconded to Airtrain. On the return, the bailment is terminated at the junction.

QR is unique in Australia in remaining fully vertically integrated—providing passenger and freight services and retaining ownership of the track infrastructure and maintenance facilities. It also operates the highest quality service in Australia, achieving world-class benchmark performance. The BARL project benefits from this partnership by gaining some of the scale benefits of a major urban rail operator, and also by accessing some of the induced patronage on the balance of the network.

Innovative

A similar innovative arrangement was devised for the Airport Authority. In the long term the airport will gain significantly through reduced infrastructure costs, improved inter-terminal transfers and competitive position. In the short run, however, it loses some car parking revenue—although the biggest portion of the Airtrain traffic will be from people who previously dropped off at the kerbside. The developers agreed to pay the airport an up-front royalty, which will be increased if ridership is greater than forecast, and refunded if ridership falls short of expectations.

Overall, the successful Brisbane Airport Rail Link project is likely to be a benchmark for future infrastructure projects—a unique public/private sector co-operation in provision of transport infrastructure. It is the only airport rail link in the world financed without the airport authority or the urban transit operator as shareholder.

- *This article is condensed from a paper given to the International Air//Rail Conference in Copenhagen, Denmark*

CHARTERED INSTITUTE OF TRANSPORT: ANNUAL MEETING

- The AGM of the Institute will be held on Tuesday 28 March 2000, at 2 p.m., in the Atrium Hotel, The Esplanade, Darwin, Australia, to consider the accounts for the year ended 30 September 1999 and the reports of the Council and Auditors; and to re-appoint Mazars Neville Russell as auditors and to authorise Council to agree their remuneration

PAKISTAN AVIATION 'AT IMPORTANT TURNING POINT'

TWO HUNDRED delegates attended a seminar organised by CIT and Pakistan's Royal Aeronautical Society.

Honorary CIT secretary, Brigadier S.S.A. Gasim, explained: "Aviation in Pakistan is at an important turning point as we enter the 21st Century." To focus on this the seminar took the theme of 'Aviation in Pakistan — present status, problems and prospects.'

Participants included representatives of the Pakistan Air Force and Pakistan Army Aviation which have both played a prominent role in the development of the country's aviation, and because the Aeronautical Complex at Kamra is seen to have an important role during the 21st Century. The seminar recommended these facilities be used by the Civil Aviation Authority (CAA), Pakistan International Airlines (PIA) and private airlines to maximise use of Kamra.

Among the recommendations from the seminar were

* PIA should be treated as a commercial organisation with no interference from the government

* The CAA and Pakistan government should ensure a level playing field for all airline operators. Private airlines should be provided with special incentives.

* In Pakistan's present economic scenario, the policy of permitting aircraft with a maximum age of 15 years (western origin), and 10-years-old (eastern origin), should be reviewed

* Improved navigational facilities at all Pakistan airports "is an immediate requirement."

* The 'open sky policy' should be "reviewed critically and a policy of advantage to Pakistan adopted."

* Safety must be the prime consideration and given top priority.

* Pakistan's aviation industry should conform with quality systems ISO.9000 and AS.9000

The seminar also called for enhanced co-operation and greater integration with China's aviation industry.

• Boeing's jumbo record

BOEING has celebrated a truly remarkable aviation occasion, the 30th anniversary of the introduction of the Boeing 747 into airline service on 21 January 1970, with a Pan Am flight from New York to London.

According to figures published by Flight International there are currently more than 1,100 747s in service with 82 airlines out of 1,238 delivered. Whilst it is impossible to predict the future one can be fairly certain that the 747 will still be active after 50 years, even perhaps being built with more or less the same shape (but an entirely different aircraft underneath).

Some other interesting statistics. The fleet has flown 2.2bn people - the equivalent of nearly 40% of the world's population. This fleet has logged 20bn statute miles - enough to make 42,000 trips to the moon and back.

[more information: <<http://www.boeing.com>>]

LOGISTICS AND TRANSPORT

— are there benefits to be derived from a closer partnership?

• Although the merger between the CIT and the Institute of Logistics has been confined to the UK, it was agreed after the International Council meeting in Delhi that wide circulation should be given to a paper on logistics and transport — to provide a better understanding of the term and discipline of ‘logistics’ and the reasoning behind the UK merger of the two Institutions. The following article is condensed from the paper prepared by . . .

Vice President PETER O’KEEFE

The importance of customer satisfaction

LOGISTICS was originally a military term to describe the organisation of moving, lodging and supplying troops and equipment. The term was broader in scope than ‘transport’ alone, since it covered everything needed to deliver troops and equipment to the right place at the right time, and in the right condition.

Modern business logistics is based on similar concepts. However, instead of a front line General being provided with all he needs to win a battle, all the resources are concentrated on providing the *customer* with exactly what *he* wants. In a market economy experience has shown that the concepts of logistics can be used very effectively to develop successful businesses through *customer satisfaction*.

There are many definitions of ‘logistics’. The one favoured by the ILT is ‘*the time related position of resources*’ . . . which simply explains all available resources—including people, transport, manufacturing capacity and information—must be properly used to best satisfy the customer.

Another common definition is ‘*the strategic management of the total supply chain*’. The supply-chain is often thought of in very simple terms—for example, the movement of goods from a factory, through a warehouse, to a shop. Actually, it is better thought of as a total process of satisfying a customer: Depending on circumstances this process can include purchasing, storing, manufacturing . . . and transport, which is usually a major component.

Particularly significant about the ‘logistical’ way of designing and managing supply-chains is the concentration of ‘trade-offs’, or optimising the total process. When a whole series of actions is required to satisfy a customer, it is important that the *total* process is done most efficiently, and not just the individual parts of that process. Logistics management concentrates on finding ways of integrating the supply-chain so that overall efficiency and effectiveness are maximised.

What are ‘logistics companies’ and ‘logistics services companies’?

Optimum supply-chain performance is impossible without the professional and expert management of functions such as transport, warehousing, purchasing and materials-handling—which are crucial to the overall process, and are important in themselves—which may be carried out ‘in-house’ by manufacturing companies.

However, there is an increasing tendency to ‘out-source’ many of these functions to specialist companies which often call themselves ‘logistics companies’. This can give

the impression that ‘logistics’ is confined to storage, transport and similar services. Such companies are more correctly called *logistics services* companies.

How does transport relate to logistics?

The original Royal Charter of the Institute of Transport includes in its objects “to promote, encourage and co-ordinate the study of the science and art of transport in all its branches.” It also mentions “transit” and “locomotion” but does not define any of these terms. The Oxford Dictionary makes it clear that all these terms can be defined generally as the act of carrying or conveying a person or thing from one place to another, or the means of doing this. The Charter did not limit this definition by excluding the movement of information, or the movement of goods within factories and warehouses.

Therefore there are strong arguments to say that, although the CIT has mainly concerned itself with the transport of goods and people from place to place, its original Charter allowed it to consider transport in much broader terms.

Logistics is concerned with supply-chains (and the satisfaction of customers) and in reality most of them involve a great deal of transport. And in these days of global commerce, transport is often the most important—and sometimes most expensive—component of the supply-chain.

Perhaps the major difference between transport and logistics has been the approach to problems. The transport specialist has usually started with the assumption that transport is required. The logistics professional would say that he needed to satisfy a customer, whereas transport would only be needed if it was the most effective way of building the supply-chain. Sometimes buying goods locally or manufacturing them in a different place might be an alternative to a particular transport operation.

Modern transport professionals, with their experience of land use planning and environmental considerations, are already using the same philosophical approach as logisticians. Transport is of prime importance to logistics, and logistics is the process by which future transport needs will be decided.

What can logistics offer to passenger transport?

It is certainly true that at present ‘logistics’ is not a word used, or well understood, by most passenger transport managers and specialists. However, they do in fact use—and are increasingly using—many of the same concepts which have long been used in the integration of freight transport and supply-chains.

An important consideration in most countries is the necessary sharing of a limited transport infrastructure—required both for freight transport associated with modern supply-chains *and* the movement of people. The very high costs, both financially and environmentally, of increasing and enlarging this infrastructure requires that it be used as efficiently and intensively as possible.

This makes it impossible for freight and passenger transport to be operated independently.

Need for integration—sharing transport solutions

They must be integrated in the most efficient way . . . and to do this it seems likely that passengers and many types of freight will increasingly share transport solutions.

We have changed from a society where companies manufactured goods and then looked for customers to one where customers are now identified and their needs satisfied in every possible way.

The same philosophy has been longer in spreading into passenger transport. However, now that the revolution is in progress, total service to customers will be the prime objective of all types of transport. This means that the aim will not be to provide a certain transport service but to *keep the customer happy*—a much more fundamental concept.

With modern information technology, the passenger transport sector too will find itself using the 'time related positioning of resources' to satisfy its customers. Although, at the moment, the operational aspects of passenger transport and freight logistics may seem different, there are many important factors—including infrastructure use, environmental considerations, information technology, and integration and synchronisation—which seem certain to ensure a very high degree of future commonality.

Transport and logistics are crucial to the success of all economies around the world. There seems to be no valid reasons for their continued separation.

HOW TO LET *CIT World* HAVE YOUR NEWS AND VIEWS

— so we can tell colleagues all round the globe

CIT World would like to hear about news and activities of CIT members and council, sections and branches around the world.

Please send your contributions, or letters, to The Editor, Alan Marshall.

If you are communicating written information, if possible please send this as e-mail in text only format to **amars8529@aol.com**.

If you are sending illustrations, pictures, etc., please use Adobe Acrobat PDF format —to **amars8529@aol.com**.

If you want to send information by fax, please dial (+) 44 1926 863178 (01926 863178 in the UK)

Communication by mail is also possible! Please address your correspondence to:

**CIT WORLD,
49 INCHBROOK ROAD,
KENILWORTH,
Warwickshire,
CV8 2EW,
United Kingdom.**

telephone: (+) 44 1926 852944

• AVIATION NEWS •

BRITISH AIRWAYS has quietly introduced what may turn out to be one of the most innovative (and in the future much copied) initiatives in recent years. From last week Club World passengers can (officially) bring into the cabin up to 40 lb. of luggage. Not surprisingly this total weight must be split into two separate items. In order to accommodate the pieces cabin stowage areas in BA's 747 - 400 fleet are being modified as the new Club World is introduced.

[*more information:* <<http://www.British-Airways.com>>]

CROSSAIR has suffered the loss of a Saab 340 at Zurich's Kloten airport. All 10 on board were killed. Crossair has currently a further 13 Saab 340s in service. The cause of the crash was not immediately known. Previously there had been four crashes of the plane type world-wide with 452 in airline service. Production ceased in 1994. Up until this accident Crossair had a perfect safety record. Another accident in January saw the ditching of a very full (38 passengers) Swiss-owned Shorts 360 off the coast of Libya with the loss of 17 lives.

[*more information:* <<http://www.crossair.ch>>]

JAPAN AIRLINES has sold a 20% stake in DHL as it aims to cut its long term debt. Formerly the largest shareholder, Japan Airlines now retains only a 6% stake in the air freight company.

[*more information:* <<http://www.jal-europe.com>>]

AIRPORT TRAFFIC in Europe rose by 5.6% to 679m passengers in the first nine months of 1999 compared with the same period in 1998, according to data collected from 230 (ACI Airport Council International) member airports. Between them these account for over 95% of all commercial air traffic in Europe. Freight traffic rose by 3.1% to 7.4m tonnes. Aircraft movements rose by 7.2% to 8.8m.

LONDON LUTON AIRPORT had a record-breaking year in 1999 with 5.2m passengers using the airport. This is 27% up on the 1998 total of 4.1m passengers. 74% of passengers were on scheduled services and 26% on charter flights. 25% were on domestic flights. A new rail station linked to the airport has also recently opened, meaning that all four London airports now have main-line rail links.

[*more information:* <<http://www.london-luton.com>>]

MALAYSIA AIRLINES is to introduce non-stop flights between Manchester and Kuala Lumpur from 26th March, 2000

[*more information:* <<http://www.malaysiaairlines.com>>]

NEWS BYTES ... NEWS BYTES ... NEWS BYTES ...

‘INTERNATIONAL EXPRESS’ SET FOR RECORD GROWTH
— says Cranfield report.

INTERNATIONAL EXPRESS DISTRIBUTION is set to become one of the growth issues of the new millennium, outstripping the growth rate of global GDP, according to a report from Cranfield School of Management in the UK.

The study backs up current estimates suggesting the international express share of total air freight and cargo will rise from 5% in 1995 to 37% in 2015—annual growth of 18%. The European express market in particular is set to boom, increasing by one third to 48m consignments.

The report highlights this phenomenal growth as being driven by increased global trade, lower trade barriers, and a general push by governments to stimulate exports, combined with higher customer demands.

Corporations now compete as much on time as on specification, says co-author Dr Derek Wright, with supply-chains redesigned and reorganised to take account of the global economy

HONG KONG TRANSPORT STUDY
—Rail at heart of future network plans

RAIL should form the backbone of the future passenger transport network in Hong Kong, according to the final report of the province’s *Third Comprehensive Transport Study*.

Key recommendations include:—

- *Land-use planning*: strengthen existing guidelines by intensifying developments around railway stations and public transport interchanges.
- *Accord priority to railways*: the railways should form the backbone of the future public transport network with rail station and land-use developments synchronised.
- *Co-ordinate and enhance public transport services*: this should include setting up a network of high-standard public transport interchanges; developing a passenger information system; expanding existing fare collection integration schemes; and providing for park-and-ride and kiss-and-ride facilities.
- *Provide transport infrastructure in a more timely fashion*: this should include reassessing the need, timing, scope and priorities of strategic highway projects and, if implemented, ensuring timely implementation.
- *Traffic management and new technologies*: continue monitoring growth in vehicle numbers and highway traffic, and act if economic growth picks up; implement selective parking restraint; and investigate the feasibility of cost-effective “intelligent transport system applications” in Hong Kong.

Other recommendations cover improving facilities for pedestrians and cyclists, and various environmental improvement measures—including vehicle emission standards and the use of LPG for taxis.

[A summary of the report can be found at <http://www.info.gov.hk/td/>]

The UK Commission for Integrated Transport

IN ITS CONSULTATIONS on transport policy in 1997 the new UK government proposed a Strategic Rail Authority to oversee the country's privatised rail network. The CIT in the UK argued, however, for a Strategic Transport Authority to oversee the development of all transport systems on a comprehensive basis, in order to achieve the government's aim of a properly integrated system.

The government has in fact set up a Strategic Rail Authority (in 'shadow' form, pending the passage of legislation in parliament). But the government has also appeared to heed the Institute's proposals by establishing a *Commission for Integrated Transport*. This body is charged with examining the issues in developing integrated transport and advising the government on necessary policy measures.

Chairman of the new Commission is Professor David Begg, a well-known transport academic—and also a politician (recently chairman of the City Transport Committee in Edinburgh, Scotland). Deputy Chairman is Sir Trevor Chinn, Chairman of Lex Motors Group which produces an annual review of motoring and drivers' opinions in the UK. Other members are drawn from major transport companies, research bodies and transport campaign groups.

The Commission has already adopted a two-year programme which includes possible *targets for traffic reduction* and how these might be achieved; the effectiveness of the new *Local Transport Plans* which local authorities are now producing; and the scope for bringing *44-tonne lorries* into general use. During early 2000 the Commission is preparing two main reports on public transport — looking at *physical interchange* and at the scope for *developing bus services*. Both of these are subjects on which the CIT has itself published widely-appreciated reports. As a result, Scott Hellewell—Chairman of the Institute's working party, which has produced two reports on passenger interchanges—is serving on the relevant Commission working party.

AUCKLAND REGIONAL LAND TRANSPORT STRATEGY — Eight Authorities in 'Breakthrough' Sign-Up

NEW ZEALAND CIT reports a breakthrough with the new Auckland Regional Land Transport Strategy — the Regional Council, the four cities and the three districts comprising the Greater Auckland Region have all signed up to the plans. Both the Prime Minister and the Opposition Leader commented that, in the face of such unanimity, the government would have to help actively in implementing the plans.

The new strategy clearly indicates that, while in some locations new roads are required, road use can have heavy social, safety, environmental and economic costs—and the Auckland region can no longer rely on increasing road capacity alone to meet its accessibility needs. Renewed emphasis is required on more sustainable initiatives, particularly improving transport alternatives to the private vehicle—such as passenger transport, cycling and walking.

Major short-term passenger transport projects identified by the strategy include:

- implementation of the North Shore bus rapid transit system
- infrastructure investment and passenger service improvement in all main corridors.
- further implementation of bus priorities on arterial roads.

EUROPEAN TRANSPORT SAFETY BOOST

IMPROVING TRANSPORT SAFETY will be a main objective of new European Union Transport Commissioner Ms Loyola de Palacio, who has said 42,000 deaths on the EU's roads each year is completely unacceptable. She says road safety will be placed higher on the political agenda.

On rail safety, ways of harmonising safety practices and regulations—to maintain the highest possible safety standards—will be studied.

On maritime safety, exchanges of information and best practice—as well as proper enforcement of existing rules—will be promoted.

With regard to air safety, rapid establishment of the European air safety authority will be sought. The Community should also support the world-wide enhancement of air safety powers of the International Civil Aviation Organisation.

EU STRATEGY FOR ENVIRONMENTAL INTEGRATION

EU TRANSPORT MINISTERS have published a strategy on integrating environmental considerations into European transport policy. The document was approved by the Council of Ministers meeting in Luxembourg.

The strategy recognised that “an indefinite continuation of current trends in the growth of private and commercial road transport and aviation is unsustainable in relation to environmental impacts at local, regional and global level.” It also says: “Environmental concerns such as climate change, decrease in biodiversity, use of energy and other resources and degrading quality of the living environment, should play a role equal to other concerns, such as economic and social factors, when formulating transport policy.”

Further progress is required—says the strategy—to avoid, and/or eliminate, negative effects of traffic growth (through increasing taxes and charges, better land use and transport planning, and use of information technology including telecommunications as an alternative to travel). Further progress is also required to promote public, intermodal and combined transport, and environmentally less-harmful modes like non-motorised and water transport—also to improve R&D, and to increase public awareness of how to reduce the environmental impact of transport.

• **ITALIANS GO CAR-LESS ON SUNDAYS**

SINCE FEBRUARY, 2000, Italian cities are holding car-less Sundays once a month.

It is all part of a campaign to reduce pollution levels and encourage citizens to use public transportation instead of their own vehicles. Italians own over 32 million vehicles — almost one for every two people.

including lakeside Como which is usually clogged with cars on Sundays. Milan and Como have also limited car use on some Mondays.

Milan led the campaign, together with some smaller nearby cities,

There are some exceptions to the car bans, mainly doctors and diplomats.

- *Focus on South Asia Deregulation and Privatisation - Delhi 6th International Conference*

COHERENT POLICY ESSENTIAL FOR EFFECTIVE REGULATION

— by **Tan Sri Dato (Dr) Abdul Aziz Abdul Rahman**,
outgoing President of CIT,
speaking at 6th International Conference, Delhi.

SOUTH ASIA IS HOME to a fifth of the world's population. It is wide and large and needs efforts of integration—within itself and with the outside world. Like much of Asia, South Asia inherited extensive state ownership and excessive regulation. Partly this was due to the pressure in the 1960s and '70s from international lending institutions wedded to their idea that state ownership and central planning constitute prosperity and growth.

Recent experience has shown that liberalised economies have experienced faster growth than others by unleashing the entrepreneurial energies of their people. This has been made possible by the correction of economic policies.

Infrastructure regulation has strong relationship with public policy and strategic issues. Regulatory approaches in developing countries reflect the nature of institutions that exist. Developing countries, particularly democracies, have a higher degree of contentiousness at the policy level. Big investors require significant levels of comfort with respect to regulatory environments. A coherent policy framework is pre-requisite to an effective regulatory framework.

The globalisation of world economies has greatly intensified international competition and has, at the same time, given rise to a new wave of regionalism. An interesting feature of this trend is the formation of mega-groupings not only among developed countries, but also among *developing* countries. Each of these mega-groupings account for sizeable proportions of world output and market. They enjoy formidable bargaining power, and command considerable resources for investment in research and development.

The vast majority of the *developing* countries which do not belong to any of the mega-groupings face the danger of being marginalised in the world economy. These countries have been responding to this challenge by working with their neighbours through various forms of regional economic co-operation. Growth triangles are a unique response of the Asia-Pacific region to such developments.

Several factors seem to combine to help formation of these growth triangles. Important among these are geographical proximity, economical complementarity, political commitment, policy co-ordination and infrastructure development. The Mekong sub-region in India-China and Singapore-Johor-Batam are good examples in East Asia. Similarly, the river systems and basins of the sub-continent can provide possible areas for stimulating regional co-operation in the transport and communication sector.

As experienced in many developing countries, privatisation has been generally accepted as a solution to the problems faced by public enterprises—and that privatisation also has led to greater operational efficiency and more efficient use of scarce financial and human resources. On the other hand, experience has also shown

that privatisation of non-competitive entities has led to monopolistic situations and has resulted in public demand for deregulation. Obviously there must be a balancing act between demand for efficient and affordable service and profit motive of a private commercial entity. South Asia's potential has remained untapped and many problems remain to be solved. Solutions to these problems critically depend on faster economic growth and greater integration with the world economy. The transport sector is the life-line of the economy.

• *Focus on South Asia Deregulation and Privatisation*

DEREGULATION AND PRIVATISATION OF THE TRANSPORT INDUSTRY

by **Shri Shanti Narain,**

Member, Traffic/Railway Board, & ex-officio Secretary to Government of India

IN THE FIRST FOUR decades of independence, the provision of infrastructure services in India was largely in the public domain. During this period, there was an implicit belief that only the public sector could serve the Government's interests ... that the entry of the private sector should be restricted by entry barriers ... that infrastructure services should be effectively delivered only by the public sector ... and that accountability of the public agencies could be ensured through the 'Westminsterial' style monitoring and control.

Competition in infrastructure services did not exist, profitability of the public sector agencies was not the only criteria for judging their performance—and consumer interests were, therefore, not the prime area of focus.

However, the Indian economy—which had so far been operating as a command economy—found that the international forces of liberalisation and deregulation could no longer be resisted—and major macro-economic policy initiatives had to be put in place.

The changes not only unleashed enormous entrepreneurial energies of the people of the sub-continent, but also dictated the need to commercialise and attract private investment into infrastructure services. Simultaneously,

policies of economic liberalisation and globalisation unleashed forces which were, to some extent, not fully understood. The challenge in India was to tap available economic resources efficiently and effectively for stimulating growth so the infrastructure sector can service the needs of the national economy as it moves to a high-growth trajectory or 7-8% annual increment in GDP. The growth was uncharted and our experience during the mid-1990s was a mixture of success stories, interspersed with a series of missed opportunities.

The macro-economic policies of economic liberalisation and globalisation have generated economic growth stimuli which have to be properly leveraged. On the supply side, this means a tougher competitive environment and higher levels of efficiency and performance. Today we are on the threshold of launching the second generation of economic reform which centre around deregulation, restructuring of management and regulatory structures.

India's experience of regulatory reforms and regulation has been rather limited and very recent. Law makers, policy makers, regulatory authorities and implementation agencies are all involved in this learning process. The experience of countries who have covered this route successfully would be extremely useful and relevant.

- Summarised from a keynote address

• *Focus on South Asia Deregulation and Privatisation*

LESSONS OF BRITISH RAIL PRIVATISATION

by John K Welsby

President of UK Institute of Logistics and Transport,
and former Chairman, British Railways Board

IN THE UK ‘privatisation’ means the transfer of ownership of a State corporation from the public to the private sector—something quite different from the definition in many other countries.

There were multiple objectives for privatising British Rail (BR) by the Conservative government in the mid 1990’s. Among these were:

- a requirement for the private sector to inject significant levels of investment into the industry
- a strong political drive to break the industry up to inject competition into the provision of rail service
- a wish to have former parts of BR competing with each other
- a desire to attract new entrants to the industry, to provide further competition.

Satisfying these multiple objectives required a very complex model of privatisation.

Instead of selling the passenger business, the government decided to franchise the operations so that each franchise would be subject to competition at the point of renewal, which was expected to be every 7 to 10 years. But the decision to reject outright sale of the passenger businesses in favour of franchising brought further complications.

Rolling stock leasing companies

Locomotives, rolling stock, etc., have lives that can last 30 or 40 years. Clearly no franchisee would contemplate investing in assets with a 30-year life if the life of the franchise is only 7 to 10 years. To circumvent this, the government decided that companies would be established with the role of leasing rolling stock to the train operating companies. Because general competition could be expected, the leasing companies could be sold outright to the private sector.

The privatisation model finally adopted embraced a **single** company (Railtrack PLC) owning all the infrastructure previously owned by BR ... **three** rolling stock leasing companies ... **25** passenger train operating companies ... **six** freight operating companies ... **one** telecommunications company ... and **numerous** companies providing services of one kind or another to the railway. In all, BR was split up into **over 100 companies** which were disposed of to the private sector by one method or another over approximately a three-year period.

This was, by far, the most complex privatisation programme undertaken in the UK.

Perhaps the greatest philosophical problem was the reconciliation of public policy interest with the normal private sector objective of maximising shareholder value. The issue was particularly acute because this was the first UK industry to be privatised that depended upon substantial financial support from public funds too enable the industry to survive.

The question of the form of regulation appropriate to the asset owners (principally Railtrack PLC—owner of the fixed infrastructure—who determined the majority of the operators' cost base) was therefore crucial. The problem was seriously complicated by the UK Treasury's decision that the accounts of the railways were to change to a 'modern equivalent asset' basis—which resulted in a major increase in government payments. Subsidies had to double [*to almost £2bn per annum at the beginning of privatisation in 1994/5, but now reduced to nearer £1bn per annum*].

£750m loss to government

Another major problem is that of obtaining full economic value for assets being sold by the public to the private sector. The original intention in the UK was that franchises would be disposed of first, followed by the asset-owning companies which would be sold off gradually. This intention was soon changed as the then government realised that another incoming government could undo the privatisation over time. So the (Conservative) government changed priorities to complete privatisation during the lifetime of the 1992-97 parliament.

This meant the timetable for privatisation took precedence over everything else, and questions of value for money became secondary.

The consequences were serious. The National Audit Office reported that sales of the leasing companies were some £750 million less than the value to the government. The loss of value on sale of land to Railtrack was even greater—probably £1.5 billion.

The lessons are very clear. Realisation of full value for money from privatisation demands that elements of the system which the markets are most familiar with should be sold first. Pursuance of an arbitrarily-determined timescale can have serious consequences for the level of proceeds obtained from a privatisation programme.

Not only is the model adopted for privatisation of critical importance, but there are also a number of practical matters to be kept to the forefront of any government's concerns.

This is essential if the programme of privatisation is to be completed in a timely and effective manner, and is to lead to a privatised industry that will operate smoothly and in the interests of the travelling public, as well as the shareholders of the corporations.

Quality has not improved

The UK reality has been very different to the expectation.

Quality of rail services has not improved. Certainly public perception is most unfavourable.

Reasons for failures have been wide-ranging. Some operators had been involved in earlier privatisations, particularly of the bus industry, and were led to believe there could be equivalent scope for productivity improvements in the railways. This was not the case. By 1994 government financial support to UK railways, as a proportion of GDP, was only one-third of the average for European railways as a whole.

The problems have been magnified by the diffuse structure of the industry. All too often, when something goes wrong, each company is quick to claim "it's not my fault." This has led to frequent situations in which complaints from the travelling public are passed from company to company—much to the annoyance and bewilderment of those making complaints.

The current British government is anxious to encourage people to transfer from cars to public transport. The government realised that if this policy is to be successful it will have to substantially improve the quality of public transport. For the reasons summarised in this article, this is very hard to accomplish in the case of the railways.

In conclusion, the model for rail privatisation adopted in the UK was not thought through sufficiently, and was hurried in execution. The consequence has been that the privatised rail service has not lived up to political expectations claimed for it. Indeed, it is doubtful if the quality of service provided by the privatised railway is significantly different from that provided earlier by BR—even though the sums of public money being provided are greater than would have been the case under BR.

Government disquiet over the current state of affairs has led to plans for new legislation to create a Strategic Rail Authority, and to tighten up the regulatory controls over the system.

- *This article is based on extracts from a paper to CIT India's conference in Delhi.*

[•see also **UK Commission for Integrated Transport, page 14**]

NEW ZEALAND TRANSPORT CONFERENCE **AND FORUM — 21/22 JUNE, 2000**

A conference in Auckland, New Zealand, is being organised jointly by NZ Logistics and CIT. It is planned to provide an insight into the changes that lie ahead in the movement of people and goods. Opportunity to understand, debate and influence the future is the purpose of the seminar.

It will be held at the Aotea Centre, Auckland, on June 21 and 22, 2000.

- Have you got information about a future conference, seminar or workshop?

CIT World would like to know so we can include details for colleagues around the globe. So please give us good notice of all events that are being organised (or sponsored) by the CIT. Details, please, to Alan Marshall, Editor, *CIT World*.

Fax no: **+44 1926 863178**
e-mail: **amars8529@aol.com**

Tel /voicemail: +44 1926 852944
Mobile: +44 7958 553095

Milan air/rail workshop will include air cargo focus

- The second International Air//Rail organisation workshop will be held in Milan on 12 and 13 April, 2000. The theme will be 'how to create a stress-free air/rail journey environment'. It will be followed by a workshop on 14 April focusing on 'the role of air cargo: implications for supply chain management.'
- Details from +44 1438 880801

NEWS BYTES . . . NEWS BYTES . . . NEWS BYTES..

**BRANSON SAYS NEW AUSTRALIAN AIRLINE
WILL BE 'BUILT FROM SCRATCH'**

VIRGIN EXPRESS is in the news with remarks by Sir Richard Branson to the London *Financial Times*. He admitted to a mistake when he bought a Belgian airline in 1996 and turned it into Virgin Express, the budget carrier. Sir Richard said that Virgin Express, which operates out of Brussels, had experienced quality and management problems and that he now wished he had set up a new airline rather than buying an existing one. New management had now been installed at the airline whose December 1999 figures

included an increase in scheduled capacity by 22% and of passengers by 5%.

Branson said that the Australian Virgin airline would be built from scratch. Dr. Cheong Choong Kong, Deputy Chairman and Chief Executive of Singapore Airlines, has confirmed he is considering an offer from Virgin Group to take a 49% stake in the planned Australian operation, but acknowledged the low-cost concept would not fit with his airline's high-quality image.

[More information: <<http://www.virgin.com>>]

THE EU'S TRANSPORT POLICIES . . . EXPLAINED!

A MAJOR new book "Transport Policies of the European Union", by Paul Lyons, describes and explains—in a way never attempted before—the successes and failures of the European Union's policies affecting the aviation and other transport sectors (right through to December 1999).

The book uses the five areas outlined by new Transport Commissioner, Loyola de Palacio, as its framework for setting out, in a comprehensive and comprehensible way (something which cannot always be said of the Commission's papers), all of the significant transport and transport-related developments at the EU.

The opening chapter covers general topics such as competition, taxation, customs and procurement; followed by sections devoted to aviation,

maritime, railway, road and inland waterway markets.

The chapter on the single market for aviation, one of the longest in the book, explains, among other topics, the evolution, accomplishments and continuing problems of liberalisation of airline services. It looks at the policies aimed at a level playing field among airports (ground handling, charges, and slots). It also describes a catalogue of state aid and antitrust cases handled by the Commission throughout the 1990s, the conflicts over airline alliances and the national bilateral accords with the US. Further chapters comprehensively focus on safety and environment policies and the complex transport infrastructure and political issues.

A mighty tome and at (in sterling) £425, not cheap.

[more information: <<http://www.ecinform.demon.co.uk>>]

Marine safety is focus of Singapore VTS symposium

MARINE traffic management and guidance of ships in congested waters was on the agenda of the Vessel Traffic Systems 2000 Symposium. The event was held in Asia for the first time—hosted by the Maritime and Port Authority of Singapore. The location was particularly appropriate. Singapore and the Straits of Malacca are busy areas for international navigation, said Captain Mark Heah, chairman of the organising committee.

It had been estimated by the International Maritime Organisation (IMO) that up to 80% of marine incidents may be caused by human error. “Therefore we must continue to concentrate on the human element,” said Capt. Heah, writing in *Lloyd’s List*. “The training of crew must be top priority. Apart from compliance with collision regulations and practices of good seamanship, ship-board operations must include bridge resource management, contingency planning and crisis management.”

There must also be quality ships, he said, which must be built, maintained, adequately equipped and competently manned. The acid test of a safe ship was the ability of the bridge team to navigate a ship safely through various traffic density and weather conditions. The bridge team must possess a passage plan well ahead of entering such a busy waterway.

Shore administrations were also taking steps to assist shipmasters. “For example, Singapore has implemented the VTIS (vessel traffic information system) since 1990 to enhance safety of navigation in the Strait. Radar coverage was increased from five to nine in 1995,” explained Capt. Heah.

But the radar plots of ships on the screen would be of little use if ship identities were not known, he added. The IMO realised the need for the introduction of a transponder system for ships—known as the Automatic Identification System. When AIS is made compulsory for carriage on board ships, the ship-to-ship as well as ship-to-shore communications capability would further enhance safety of navigation. If sufficient information such as ship name and call-sign, course and speed is made available there may be no need to make a VHF communication. In addition, VTS operations would cut down on unnecessary VHF communications since the ship’s identity will be sent automatically to the VTS shore solution. “It is a win-win situation,” said Capt. Heah.

- **Political issues**

Commenting on the symposium, *Lloyd’s List* remarked: “Who pays for VTS stations which overlook such waterways, what powers they may have over shipping in transit and the responsibilities they might assume are political issues that have to be negotiated by governments, in international forums, because they involve international shipping. It could be argued that the direction of ships and the responsibility for their safe passage in straits and congested waters is also political, although legal pressures inevitably intrude.

“There has been a gradual momentum towards more of an aviation scenario, with various interests calling for a ‘sea traffic control’, able to direct, rather than to advise the master. Direction, of course, assumes a shift in legal responsibilities and on these shoals many good intentions have grounded.”

World's largest ship's maiden voyage

Port Klang shows its paces as cargo base

MALAYSIA'S Port Klang—which is now rated eighth among the world's container ports—played host to the world's largest ship during its maiden voyage. The ship, the *Clifford Maersk*, was en route from Europe to Yokohama, Japan, and berthed at Westport, in Port Klang, its first port of call east of Suez.

The ship is so large—347 metres long, 43 metres wide, and with a gross registered tonnage of 91,560—that it required both wharves eight *and* nine at Westport where it unloaded 1,000 containers. The vessel has a capacity of 6,600 twenty-foot equivalent units (TEUs), and also included 700 40-foot reefer containers.

Port Klang is now recording 2,135 liner calls per annum—putting it ahead of larger ports such as Hamburg, le Havre, New York and Tokyo. The port says its success is based on two factors. The first is its rapidly expanding cargo base, which is expected to reach 2.5 million TEUs this year. The port's three container terminals all continue to expand with Westport contributing 850,000 TEUs to the total, while Klang Container Terminal and Klang Port Management account for the remaining 1.65 million.

Secondly, shipping lines are able to take advantage of Port Klang's to ensure minimum diversion costs from passage through the Straits of Malacca.

Canada to get new airline competition legislation

- *continued from back page*

By mid-November 1999 Air Canada made a new offer for Canadian Airlines for \$92m. Air Canada proposed to operate Canadian as a separate company (for how long is anyone's guess) and a discount carrier. In early December 1999, shareholders approved the Air Canada deal. In addition, Air Canada and AMR concluded an agreement for an orderly transition.

Over 90% of domestic market

Meanwhile the Canadian government committee reported the findings of their hearings in late December 1999.

All pointed to the same issues—that a new dominant carrier such

as Air Canada would have in excess of 90 per cent of the Canadian domestic airline market.

All committees agreed that re-regulation would not be the way to proceed, but that a new legislative and regulatory framework would be necessary—in the form of Codes of Conduct to prevent abuse of dominant position and other anti-competitive monopolistic practices.

The Canadian Minister of Transport committed himself to introducing new airline competition legislation, and a merger review process, in February 2000.

Canada's Airlines: an Industry in Transition

- by S. Barone, FCIT

IT IS NO SECRET that during the last 10 years of deregulation Canada has continually been in a debate with its population of 30 million as to whether it could support two fully-integrated international airlines—or if its interests would be better served with one strong international carrier.

As we enter a new millennium, only one large carrier may indeed serve Canada, raising concern in the market place about the effect of such a dominant carrier.

The latest saga started in August 1999 when the Canadian federal government suspended the provision of the Competition Act to ensure an orderly discussion and transition within Canada's airline sector. Because of the poor financial condition of Canadian Airlines International, the government was looking for a private sector solution to the problem.

Shortly after suspension of the Competition Act, Onex Corporation, with American Airlines (AMR)—already the largest shareholder in Canadian Airlines—made a \$1.2 million CDN conditional offer to purchase both Canadian Airlines and Air Canada, merge them and create a new "Air Canada."

One of the conditions in the transaction was that the federal government revoke the provision in the 1987 Air Canada Public Participation Act that limits any one shareholder in Air Canada to a 10 per cent. shareholding. Other conditions included taking the new Air Canada from the Star Alliance and having it join the oneWorld alliance.

Air Canada, seeing the Onex/AMR offer as hostile, first put in place a 'poison pill' provision, and then

countered with an offer of its own backed by its Star Alliance Partners. Air Canada offered to buy Canadian—but would operate it as a separate airline—and would also establish a discount airline at Hamilton, Ontario, an under-utilised airport near Toronto, and similar to Stansted Airport in the London, UK, area.

Between August and November 1999 parliamentary and caucus committees held hearings and called witnesses concerning what new policy and regulatory framework should be put in place to oversee the new industry structure which would be dominated by a large single airline.

Court decides

Before shareholders were able to vote on either the Onex/AMR or Air Canada offers, a court decision effectively determined the outcome.

On 4 November 1999 the Quebec Superior Court gave its decision that the proposed Onex/AMR take-over of Air Canada contravened the Air Canada Public Participation Act (the legislation that privatised Air Canada)—since no one shareholder could hold more than 10 per cent of the outstanding shares.

Within hours Onex had withdrawn its offer, leaving Canadian Airlines on the verge of bankruptcy.

- **please turn back to page 23**