

Transportation Information Update*

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AIR TRANSPORTATION

1. EU approves 'open-skies' deal with Canada

The European Union has approved a new air agreement with Canada which it hopes will bolster competition and air travel, and pave the way for even greater liberalization of the airspace across the Atlantic. The first phase of the air pact will allow European carriers to fly to Canada from any airport in their 27-nation bloc, and vice versa. It will replace a patchwork of bilateral agreements that were deemed to violate the EU's efforts to establish itself as a single market by its high court. The EU air agreement eventually aims to raise foreign ownership limits on Canadian carriers, allowing the establishment of foreign-owned domestic airlines in each others markets - so-called right of establishment airlines - and to allow for airlines to carry passengers onto a third destination after landing in each others market, which is currently forbidden. The foreign ownership cap on Canadian carriers to 49% from 25% has been passed but the regulatory framework has to be put in place.

2. WestJet guarantees its lowest price

On March 31, 2009, WestJet introduced the WestJet Price Guarantee for guests booking between March 31 and April 6, 2009 for travel on or before June 30, 2009. If, after booking, a guest finds a lower fare on WestJet for the same flight for that period the difference will be placed in a credit file for use on another WestJet flight within 12 months.

3. Inside the coup at Air Canada

Plans to oust chief executive officer Montie Brewer had its roots in mid-February, when Air Canada announced that it lost \$1-billion in 2008, raising concerns about its ability to combat the recession. As a result, Air Canada's board of directors grew increasingly disenchanted with the company's performance. To add to this, the cash crunch and pension shortfall returned the company to the brink of bankruptcy protection. Some analysts believe that Air Canada could file for bankruptcy protection later this year, but others say the airline may be able to restructure without such a dramatic move.

4. New Air Canada CEO may scrap 'a la carte' fares

Mr. Rovinescu, the new CEO in his new role, may review 'a la carte' fares his predecessors strategy (i.e., a strategy used to tack on extra fees for travellers). Multitrip flight passes sold in advance to consumers for a fixed price, is also under review, another innovation from Mr. Brewer.

5. Air Canada reports March traffic

On April 3, 2009, Air Canada reported its traffic for March 2009: a load factor of 81.8% (compared to 83.6% for March 2008, a 1.8 points decrease); revenue passenger miles 3,555 million (13.1% lower); and available seat miles or capacity 4,345 million (11.3 % lower). For the combined carriers (Air Canada and Jazz), statistics for March 2009 were: a load factor of 80.7% (compared to 82.9% for March 2008); revenue passenger miles 3.862 million (13.5% lower); and available seat miles or capacity 4,787 million (11.1% lower). Calin Rovinescu, President and Chief Executive Officer said "For the month of March, Air Canada reported a strong load factor of 80.7 per cent on a consolidated basis with Jazz." However, it is worthwhile noting that given Easter in April in 2009 monthly comparisons may be misleading.

6. Jazz stock battered on Air Canada fears

Under a "capacity purchase agreement," Jazz is paid by Air Canada to operate a wide range of regional routes, such as Winnipeg to Thunder Bay. Jazz is insulated from

Current Developments in Brief

Air Transportation

CANADA

1. EU approves 'open-skies' deal with Canada, March 31, 2009, www.nationalpost.ca
2. WestJet guarantees its lowest price, march 31, 2009, www.westjet.ca
3. Inside the coup at Air Canada, April 1, 2009, www.globeandmail.ca
4. New Air Canada CEO may scrap 'a la carte' fares, April 1, 2009, www.globeandmail.ca
5. Air Canada reports March traffic, April 3, 2009, www.aircanada.com
6. Jazz stock battered on Air Canada fears, April 3, 2009, www.globeandmail.ca
7. Canada takes measures to further improve aviation safety, April 3, 2009, www.tc.gc.ca
8. WestJet announces March load factor of 81.9 per cent, April 6, 2009, www.westjet.ca
9. DOT Proposes to Approve Star Alliance Plan to Add Continental, Establish Joint Venture, April 7, 2009, www.dot.com
10. Cash woes may force Air Canada's hand, April 8, 2009, www.globeandmail.ca
11. Canada and Japan expand bilateral air transport agreement, April 9, 2009, www.tc.gc.ca
12. Cargolux bringing weekly freighter service to Toronto airport, April 9, 2009, www.ctl.ca
13. Jazz Air may need to halve distribution: analyst, April 13, 2009, www.nationalpost.ca
14. Three Airlines Guilty in Price-Fixing Case, April 14, 2009, www.joc.com
15. Transport Canada and RCMP move to improve airport security, April 11, 2009, www.tc.gc.ca
16. WestJet eyes smaller planes, April 14, 2009, www.globeandmail.ca
17. Air Canada and TAP Portugal partner to create better connections between Canada and Portugal, April 15, 2009, www.aircanada.com
18. Conquest Vacations shuts its doors, April 15, 2009, www.nationalpost.ca
19. IATA Expands Agreement with CIS to Improve Aviation Safety - Broad Agenda to Engage Russian Aviation, April 16, 2009, www.iata.org
20. Air Canada offers 250,000 more seats for Aeroplan members; promotes loyalty program's 25th anniversary, April 17, 2009, www.aircanada.com

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most variable costs because Air Canada is responsible for paying for Jazz's fuel costs, airport user fees and navigation fees. Jazz covers wages, salaries, maintenance and aircraft leases. But with Air Canada's new chief executive officer this agreement may change. Research analysts expect services to be reduced, and with it Air Canada's fleet.

7. Canada takes measures to further improve aviation safety

The Government of Canada has introduced regulatory changes that would improve air safety for Canadian travellers by prohibiting high-speed departures to a maximum of 250 knots for aircraft. This is because in the event of a bird strike, high-speed departures can result in severe damage to aircraft and injuries to passengers and crew.

8. WestJet announces March load factor of 81.9 per cent

On April 6, 2009, WestJet announced traffic results for March 2009 - a load factor of 81.9 per cent, revenue passenger miles of 1.246 billion and available seat miles of 1.521 billion. The load factor was down 4.7%, the revenue seat miles were up 0.6% and the available seat miles were up 6.3%. For the first quarter of 2009, the load factor was down 1.5 points and the revenue seat miles and available seat miles were up 5.1% and 7.2%. Sean Durfy, WestJet President and CEO said "Given that last year's March benefited from Easter travel and a much stronger economy, we are encouraged by our solid March load factor that hits the top of our optimum operating range of 78 to 82 per cent."

9. DOT Proposes to Approve Star Alliance Plan to Add Continental, Establish Joint Venture

The US Department of Transport tentatively decided to grant immunity to a new alliance member Continental and to allow Air Canada, Deutsche Lufthansa Airlines, United Air Lines, and Continental Airlines to place a portion of their international air services within a new joint venture, to be called Atlantic Plus-Plus. Under the venture, the carriers would jointly arrange capacity, sales and marketing as well as share revenues. The anti-trust immunity was approved because it would be in the public interest. Within the domestic market the carriers would be subject to antitrust laws.

10. Cash woes may force Air Canada's hand

A credit card processing agreement requires Air Canada to maintain at least \$900-million in cash, a restriction that some analysts say should raise red flags for investors. About 80 per cent of the cash-strapped carrier's ticket sales are processed using credit cards, with the airline receiving payment in advance of a passenger's departure. Analysts say that if Air Canada fails to stay above the \$900-million minimum cash agreement it may be forced into bankruptcy.

11. Canada and Japan expand bilateral air transport agreement

The Government of Canada announced on April 9, 2009 that it has reached an agreement with Japan to expand the existing bilateral air transport agreement between the two countries. This expanded agreement allows airlines to offer unlimited services between Canada and any city in Japan outside of the Tokyo area. It also allows, for the first time, under certain conditions, access to Haneda Airport, Tokyo's metropolitan airport. The agreement further includes modernized aviation safety and security provisions and provides mechanisms for airline prices to adapt faster to market fluctuations.

12. Cargolux bringing weekly freighter service to Toronto airport

Cargolux will begin service at Toronto Pearson International Airport on April 20 2009. Cargolux, Europe's largest all-cargo airline based in Luxembourg, will begin a weekly freighter service into Toronto on a B747-400 aircraft.

13. Jazz Air may need to halve distribution: analyst

Jazz Air Income Fund, the regional affiliate of Air Canada, may be forced to cut its distribution in half over the next nine months in order to raise cash to refinance its \$115-million facility. This is because of problems with current lenders.

14. Three Airlines Guilty in Price-Fixing Case

On April 9, 2009, the US DOJ said that three international airlines pleaded guilty to cargo price fixing and agreed to pay a total of \$214 million in fines. The three carriers are: Cargolux; Nippon Cargo Airlines and Asiana Airlines. They each agreed to pay: \$119m; \$45m; and \$50m, respectively. This brings the total fines in this industry to \$1.6 billion.

15. Transport Canada and RCMP move to improve airport security

An agreement between Transport Canada and the RCMP was signed on April 8, 2009, by Canada's Transport Minister, John Baird. The new information-sharing agreement will allow for the conduct of expanded criminal background checks for workers with access to secure areas at Canada's airports. As a result, Canadian travellers will be safer.

16. WestJet eyes smaller planes

21. Antitrust: Commission opens formal proceedings against certain members of Star and oneworld airline alliances, April 4, 2009, www.europa.eu
22. EU probes transatlantic airline alliance pacts, April 20, 2009, www.globeandmail.ca
23. WestJet unveils service guarantees, April 21, 2009, www.nationalpost.ca
24. WestJet issues advisory for guests travelling to and from Mexico, April 26, 2009, www.westjet.ca
25. Travel advisory for flights to/from Mexico City, April 26, 2009, www.aircanada.ca
26. Air Canada and TAM extend partnership to benefit frequent flyers, April 27, www.aircanada.ca
27. Load Factors Drop as Passenger Demand Falls - Freight Stabilises, April 28, 2009, www.iata.org
28. Canadian tour operators cancel Mexico trips, April 28, 2009, www.nationalpost.ca
29. WestJet helps impacted Canadians, April 29, www.westjet.ca
30. Air Carrier Signage Requirements for Public Inspection of Tariffs at their Airport Locations, April 29, 2009, www.cta-otc.gc.ca

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1. All IATA Airlines Are IOSA Registered An Important Mark of Quality, April 1, 2009, www.iata.org
2. Airline On-Time Performance Improves In February, April 9, 2009, www.bts.gov
3. January 2009 Airline Traffic Data: January 2009 System Traffic Down 10.9 Percent from January 2008, April 17, 2009, www.dot.gov
4. February 2009 Passenger Airline Employment Down 6.6 Percent from February 2008, April 21, 2009, www.dot.gov
5. Summary 2008 Traffic Data for U.S and Foreign Airlines: Total Passengers Down 3.5 Percent from 2007, April 23, 2009, www.dot.gov
6. JetBlue records first quarterly profit in four years, April 23, 2009, www.globeandmail.ca

As WestJet evolves, it is considering adding smaller planes to its one size fleet of aircraft departing from its former strategy. It currently has 78 Boeing 737s in its fleet, and by 2013, it expects to take delivery of 43 more of the jets, which seat between 119 and 166 passengers, depending on the series. The above consideration arose as a result of providing more suitable service to regional and smaller communities.

17. Air Canada and TAP Portugal partner to create better connections between Canada and Portugal

Air Canada and fellow Star Alliance partner TAP Portugal announced on April 15, 2009 that they have entered a codeshare agreement that will create more travel options and better connections for customers travelling between Canada and Portugal. Under the agreement, TAP and Air Canada have begun offering code-share flights between Canada and Portugal via selected points. Services between Canadian cities such as Toronto, Montreal, Calgary, Ottawa, and the Portuguese cities of Lisbon and Porto, have been added to both carriers' networks.

18. Conquest Vacations shuts its doors

A price war that broke out among tour operators such as Transat A.T., Sunwing Vacations, WestJet Vacations and Air Canada Vacations has claimed its latest victim, Conquest Vacations. Overcapacity and the current credit crunch have been cited as the causes of the problem. The demise of Conquest Vacations has affected thousands of travellers. Most will be able to get a refund from their credit card companies and through their travel agents in due course of time but this does not bring travellers any instant relief.

19. IATA Expands Agreement with CIS to Improve Aviation Safety - Broad Agenda to Engage Russian Aviation

The International Air Transport Association (IATA) announced on April 16, 2009, the signing of an agreement with the Interstate Aviation Committee (IAC) to improve aviation safety throughout the Commonwealth of Independent States (CIS). The expanded agreement adds: promoting IATA Operational Safety Audits (IOSA); and developing and enhancing of civil aviation infrastructure in the states united by IAC.

20. Air Canada offers 250,000 more seats for Aeroplan members; promotes loyalty program's 25th anniversary

On April 17, 2009, Air Canada launched a major promotion to mark Aeroplan's 25th anniversary in 2009 by making an additional 250,000 seats available this year for Aeroplan members to redeem reward travel.

21. Antitrust: Commission opens formal proceedings against certain members of Star and oneworld airline alliances.

The European Commission opened proceedings relating to two sets of factors regarding the Star and oneworld airline alliances: 1. The proposed agreement between Air Canada and Continental, etc.; 2. the proposed agreement between British Airways and American Airlines, etc. These agreements cover coordination of airlines pricing, capacity and schedules.

22. EU probes transatlantic airline alliance pacts

The reason for the EU investigation is because "The level of co-operation in question appears far more extensive than the general co-operation between these airlines and other airlines which are part of the Star and Oneworld alliances," according to a Commission statement.

23. WestJet unveils service guarantees

On April 21, 2009, WestJet Airlines Ltd. unveiled a new list of customer-service guarantees as part of an aggressive new marketing campaign aimed at winning market share from Air Canada and staving off the need for the proposed passenger bill of rights now before Parliament. The campaign is aimed at giving the carrier an edge over its competitors in an increasingly aggressive market for air travel due to declining demand.

24. WestJet issues advisory for guests travelling to and from Mexico

WestJet announced on April 26, 2009 that with the outbreak of human swine influenza in parts of Mexico, WestJet and WestJet Vacations guests travelling to and from Mexico between now and April 30, 2009, may change or cancel the air portion of their travel arrangements at no charge, and travel at a future date.

25. Travel advisory for flights to/from Mexico City

Due to an outbreak of Human Swine influenza in Mexico City, Air Canada indicated on April 26, 2009 that it is waiving change fees in order to facilitate changes to travel plans and allow for travel at a later date to Mexico City. Customers may rebook their travel without penalty.

26. Air Canada and TAM extend partnership to benefit frequent flyers

On April 27, 2009, Air Canada and TAM Brazil's largest airline and future Star Alliance member, announced that they will start implementing a bilateral agreement that will allow members of Air Canada's Aeroplan or TAM's Fidelidade programs to earn and redeem frequent flyer Miles/points on flights operated by either company.

27. Load Factors Drop as Passenger Demand Falls - Freight Stabilises

The International Air Transport Association (IATA) released March 2009 data for scheduled international traffic. Passenger demand fell to 11.1% below March 2008 levels. Load factors fell by 5.4% to 72.1 despite a cut in capacity by 4.4% and freight demand was relatively stable off by -21.4%. The CEO of IATA is of the opinion that it's not the end of the recession but they may have touched the bottom.

28. Canadian tour operators cancel Mexico trips

Following a statement from Ottawa to limit non-essential trips to the country because of an outbreak of swine flu, travel to Mexico is being curtailed. Air Canada and WestJet cancelled flights with the possibility of re-booking. Tour Operators (Transat A.T., Sunwing Vacations, Signature Vacations and Sunquest Vacations) cancelled all flights to the end of May 2009. Some other countries have also taken similar action.

29. WestJet helps impacted Canadians

On April 29, 2009, WestJet and WestJet Vacations announced that it is offering discounts to alternate sun destinations for guests who have been affected by the temporary cessation of flights to and from Mexico. The airline is also adding additional flights to get Canadians home.

30. Air Carrier Signage Requirements for Public Inspection of Tariffs at their Airport Locations

As a result of recent amendments to the *Canada Transportation Act* (s. 67(1)(a) and the Air Transportation Regulations (s.116(2)), all domestic and international air carriers are now required to prominently post signage at their business offices regarding their tariff. Signage must indicate that the air carrier's tariff, which includes the carrier's terms and conditions of travel, is available for public inspection.

WATER TRANSPORTATION

1. Cumulative 'containerized' traffic summary February 2009 - Port of Montreal

Cumulative containerized traffic (TEUs) at the Port of Montreal for the first two months of 2009 compared to the same period earlier was down 15.5%. Inbound traffic (TEUs) declined 14.5% and outbound traffic declined 16.4%. In terms of metric tonnes in containers the decline was even steeper with a total decline of 20.5%.

2. Cumulative traffic summary January and February 2009 - Port of Montreal

Cumulative traffic (metric tonnes) at the Port of Montreal for the months of January and February 2009 compared to the same month a year earlier was down 14.3%. General cargo declined 20.4% and bulk cargo dropped 7.1%. Total inbound traffic (metric tonnes) declined 16.3% and total outbound traffic declined 11.6%.

3. Port Metro Vancouver Cumulative cargo statistics Year to Date: February 2009

Traffic of all commodities declined 24.1% to February 2009. Imports declined 38.8% and exports declined 19%. By type of cargo (auto, breakbulk, bulk-dry, bulk-liquid and containerized) the decline was: 14%, 43.7%, 21.1%, 3.3% and 22%. Total container traffic (TEU) declined 21.5%.

4. Cruise visits drop off, hammering Vancouver

The number of cruise departures from Vancouver is being cut by 62 by Carnival Corp. in 2010 i.e., 20 per cent. As a result, the amount of the port's cruise business lost due to the change is expected to be \$120-million i.e, about \$2-million per trip. The drop in cruise business and the other drop in other business is not encouraging.

5. Private ferry operator decries Crown Corp. competition

A 104-year-old cargo ferry service off the coast of B.C. is fretting that subsidized Crown Corporation B. C. Ferries could 'unfairly' sink its business. Seaspan Coastal Intermodal's Adrian Samuel says B.C. Ferries will have an unfair advantage if it decides to continue its competing pilot "drop off" service, ferrying truck trailers between the Mainland and Vancouver Island. It is claimed that BC Ferries undermines the "playing field" because it is government subsidized (\$106 million a year) and it is unfair because Seaspan and other independent players in the region do not enjoy similar benefits while competing on the same lanes.

6. Canada and U.S. work together to cut air pollution from shipping

On April 9, 2009, the federal government announced support for a joint Canada-U.S. proposal to the International Maritime Organization (IMO) to establish an Emission Control Area (ECA) in North American coastal waters. The proposal will help reduce air pollution, smog and acid rain and benefit human health in coastal areas and further inland. It will subject large ships operating in the designated areas to stringent standards. Specifically, the measures will reduce their nitrogen oxides emissions by 80 per cent and sulphur oxides by 96 per cent. Emissions of fine particles will also be reduced.

7. Accumulated containerized traffic report YTD March 2009 - Port Metro Vancouver

Accumulated containerized traffic (TEUs) at the Port Metro Vancouver till the end of March 2009 was down 15%

Water Transportation

Canada

1. Cumulative containerized traffic summary February 2009, April 1, 2009, www.portofmontreal.ca
2. Cumulative traffic summary February 2009 - Port of Montreal, April 3, 2009, www.portofmontreal.ca
3. Cumulative cargo statistics Year to Date: February 2009, April 3, 2009, www.portvancouver.com
4. Cruise visits drop off, hammering Vancouver, April 7, 2009, www.globeandmail.ca
5. Private ferry operator decries Crown Corp. competition, April 8, 2009, www.todaystruckin.com
6. Canada and U.S. work together to cut air pollution from shipping, April 9, 2009, www.tc.gc.ca
7. Accumulated containerized traffic report YTD March 2009 - Port Metro Vancouver, April 15, 2009, www.portvancouver.com
8. Consortium of Four Container Lines Selects the Port of Halifax for Weekly Service, April 15, 2009, www.porthalifax.ca
9. Baird introduces proposed new regulations for small vessels, April 24, 2009, www.tc.gc.ca
10. Truckers Threaten Strike at Vancouver, April 27, 2009, www.joc.com
11. Clarification on media reports of potential trucking strike affecting Port Metro Vancouver, April 28, 2009, www.portvancouver.co

compared to the same month a year earlier. Inbound traffic or imports (TEUs) declined 18% and outbound traffic or exports declined 12%.

8. Consortium of Four Container Lines Selects the Port of Halifax for Weekly Service

On April 16, 2009, the CKYH Alliance members, Cosco Container Lines, "K" Line, Yang Ming and Hanjin Shipping, have selected the Port of Halifax in their weekly comprehensive schedule deployment between Asia and the East Coast of North America. Halifax is the only Canadian port of call on the new service. Container handling services will be provided by Halterm Container Terminal Limited.

9. Baird introduces proposed new regulations for small vessels

Canada's Transport Minister, John Baird on April 24, 2009 introduced proposed new Small Vessel Regulations. The proposed regulations include new requirements to enhance current safety equipment, vessel construction and some operational requirements for pleasure craft and small commercial vessels. They also introduce renewable pleasure craft licences. The new regulations are to better regulate the safety of small vessels and improve public safety.

10. Truckers Threaten Strike at Vancouver

As early as May 4, 2009, approximately 140 owner-operator container truck drivers are threatening a strike at Port Metro Vancouver, as contract negotiations with two trucking companies have broken off. This could cause a slow down at the Port.

11. Clarification on media reports of potential trucking strike affecting Port Metro Vancouver

Port Metro Vancouver issued a statement to clarify reports of a potential strike. They indicated that a limited number of CAW truck operators and owner/operators have voted to potentially go on strike. They have an outstanding issue with 3 out of 196 local licence holding trucking companies doing business with Port Metro Vancouver. If owner/operators strike Port Metro Vancouver property, they will be in non-compliance with the Port's Truck Licensing System and the Port will cancel their Permits. Should picketing occur it would be at their place of work not at the port facilities.

RAIL TRANSPORTATION

Canada

1. CP Rail Braces as Flood Moves In

Canadian Pacific Railway is preparing for the Red River flood to move north and possibly disrupt freight traffic there as it has in North Dakota. So far it has not had an impact on their operations but this could change as the flood waters rise as the Red River approaches CP tracks at Emerson, Manitoba, on its way to Winnipeg.

2. CP Slashing Stake in Detroit Tunnel

Canadian Pacific Railway plans to slash its joint ownership of the Detroit River Tunnel Partnership to just 16.5 percent from 50 percent. Borealis Infrastructure Management -- part of the OMERS pension fund one of Canada's largest -- would pay CP \$110 million in Canadian dollars or about \$87 million in current U.S. dollars. CP will also get more than \$17 million (\$22 million Canadian) later, based on future traffic levels. The deal has to be approved by regulators. It would give CP exclusive rights to use the tunnel and also provide it with funds.

3. McGuinty makes nice with Miller, offering \$9-billion for transit

The Ontario government has provided funding for three Ontario projects that will transform it. First, is a \$4.6-billion, 31-kilometre, partially tunnelled light-rail line across Eglinton Avenue from Kennedy subway station to Pearson airport, the central component of his Transit City light-rail plan (in all \$7.2 billion). The second is a rapid bus system on Highway 7 and Yonge Street, a \$1.4-billion project. The third is \$3-million fund for feasibility studies for future rapid transit.

4. CN Rail preferred over CP Rail heading into earnings season

The first quarter results of the Canadian national carriers are about to be released and analysts indicate that Canadian National Railway (CN) is expected to fair better than Canadian Pacific Railway (CP). CN is expected to report earnings of 62¢ a share for the first quarter on April 20, 2009 up 1.4% from last year, whereas CP is expected to report earnings per share of 37¢ for the quarter on April 23, 2009 a 51% year-over-year decline. A decline in volume is the major factor for the poor results.

Rail Transportation

Canada

1. CP Rail Braces as Flood Moves In, March 31, 2009, www.joc.com
2. CP Slashing Stake in Detroit Tunnel, April 1, 2009, www.joc.com
3. McGuinty makes nice with Miller, offering \$9-billion for transit, April 2, 2009, www.globeandmail.ca
4. CN Rail preferred over CP Rail heading into earnings seasonal, April 7, 2009, www.nationalpost.ca
5. GO Transit acquires important CN rail line for expanded commuter rail service in the Greater Toronto Area, April 8, 2009, www.cn.ca
6. CN plans pipeline on rail' to oil sands, April 8, 2009, www.globeandmail.ca
7. CN pact with City of Gary, Ind., marks milestone in EJ&E transaction mitigation, April 13, 2009, www.cn.ca
8. Rail Exec Warns on Antitrust, April 18, 2009, www.joc.com
9. CN reports Q1-2009 net income of C\$424 million, or C\$0.90 per diluted share, compared with net income of C\$311 million or C\$0.64 per share in 2008, April 20, 2009, www.cnr.ca
10. CN Boosts Net 36 Percent, April 20, 2009, www.joc.com
11. CN declares second-quarter 2009 dividend, April 20, 2009, www.cn.ca
12. CN's Harrison set to leave on high note, April 20, 2009, www.nationalpost.ca
13. CN board selects Claude Mongeau to succeed E. Hunter Harrison as president and chief executive officer effective Jan. 1, 2010, April 21, 2009, www.cnr.ca
14. Rail Antitrust Law a Mistake, Buttrey Says, April 22, 2009, www.joc.com
15. Canadian Pacific announces first-quarter results, April 23, 2009, www.cpr.ca
16. CN Railway taking fast track out of downturn: analysts, April 23, 2009, www.nationalpost.ca

5. GO Transit acquires important CN rail line for expanded commuter rail service in the Greater Toronto Area

GO Transit and CN announced on April 8, 2009 that the Toronto area commuter rail agency will acquire CN's Weston Subdivision for expanded GO service between Union Station and regions northwest of the city. This strategically important rail line runs from a point near Strachan Avenue and Wellington Street West in downtown Toronto, northwest through the city to CN's main east-west freight line near the intersection of Steeles Avenue and Bramalea Road. The purchase is valued at C\$160 million.

6. CN plans 'pipeline on rail' to oil sands

Canadian National Railway Co. has developed a transformative strategy it calls the "Pipeline on Rail" that can move oil-sands production quickly and cheaply to markets in North America or Asia. CN could gear up its capacity to ship by rail up to four million barrels a day of oil at less cost and more quickly, bypassing the need to finance huge pipelines. If this occurs, CN could recover some of the losses due to freight it lost during the recession. CN recently acquired the Athabasca Northern Railway linking Edmonton to Fort McMurray, Alta., to cash in on the oil-sands action.

7. CN pact with City of Gary, Ind., marks milestone in EJ&E transaction mitigation

On April 13, 2009, CN announced a voluntary mitigation agreement with the City of Gary, Ind., addressing the municipality's concerns with CN's acquisition of the principal lines of the former Elgin, Joliet & Eastern Railway Company (EJ&E). CN completed the acquisition on Jan. 31, 2009, and has begun running trains over the line. CN's agreements now cover all Indiana communities affected by the transaction.

8. Rail Exec Warns on Antitrust

The Railroad Antitrust Enforcement Act could leave railroads subject to claims that a large number of purchases and agreements they've used to extend networks violate the new antitrust guidelines. The enforcement of the new guidelines could lead to calls for compensation from the federal government and court cases if the application of this Act is retroactive said an executive. It could also lead to cutbacks in investment in the industry. Many dismiss the belief that the new law would make things retroactive and they say that the law could be amended.

9. CN reports Q1-2009 net income of C\$424 million, or C\$0.90 per diluted share, compared with net income of C\$311 million or C\$0.64 per share in 2008

CN's net income for the first quarter of 2009 was C\$424 million compared to \$311 million in the first quarter of 2008; revenues decreased 4% to C\$1,859 million, while operating expenses fell 2% to C\$1,378 million compared to the same quarter in 2008; operating income was C\$481 million, an decrease of 8% compared to the same quarter in 2008; and operating ratio decreased 1.2 points to 74.1%. E. Hunter Harrison, president and chief executive officer, said: "Economic conditions during the first quarter of 2009 were challenging. Our traffic declined sharply as production cuts and reduced imports and exports coursed through the North American and global economies. But we responded quickly to the downturn, ... to reduce expenses while maintaining quality service."

10. CN Boosts Net 36 Percent

Three items generated the net positive earnings of \$98 million for CN. CN gained \$127 million, or \$109 million after-tax from the sale of a railway corridor to GO Transit in Toronto. Another \$12 million net came from the enactment of lower provincial corporate income tax rates in Canada. Against this was the \$37 million or \$23 million after-tax related to one of CN's acquisition. Excluding the unusual items, adjusted first-quarter 2009 net income was \$244 million, a decline of 2.7 percent.

11. CN declares second-quarter 2009 dividend

CN has approved a second-quarter 2009 dividend of 25.25 cents (C\$0.2525) per common share to shareholders.

12. CN's Harrison set to leave on high note

Canadian National Railway Co. chief executive is set to retire by the end of 2009. One of the three or four of its top executives are being considered for his post.

13. CN board selects Claude Mongeau to succeed E. Hunter Harrison as president and chief executive officer effective Jan. 1, 2010

David G. A. McLean, chairman of the board of directors of CN announced on April 21, 2009 that Claude Mongeau is to succeed E. Hunter Harrison as president and chief executive officer of the company at the end of 2009.

14. Rail Antitrust Law a Mistake, Buttrey Says

On March 5, the US Senate Judiciary Committee approved a bill that would take away the Surface Transportation Board's exclusive power over rail mergers and subject them to review by the Justice department and Federal Trade Commission, as with other industries. A member of the STB, said proposed antitrust legislation to strip the STB of some of its special authority in rail issues is "bizarre" and "dangerous."

15. Canadian Pacific announces first-quarter results

Canadian Pacific Railway announced its first-quarter results on April 23, 2009. For the first quarter: net income decreased to \$54 million, a decrease of 54% when compared to same period in 2008; operating ratio was 87 per cent, a decrease of 2.7 points; freight revenue was \$1.050 billion, a decrease of 6.6%; and operating revenue and expenses were \$1070.7

million and \$931.3 million. The former was down by 76.2 million or 6.6%. The later was up by \$17.6 million or 1.9%. The company announced first quarter earnings of 39 cents per share a decrease of 34% from the earnings in the first quarter of 2008 of 59 cents. Fred Green, President and CEO said "As we experienced rapidly declining volumes in the quarter, we successfully reduced variable expenses while delivering consistent service to our customers."

16. CN Railway taking fast track out of downturn: analysts

Canadian National Railway Co. is today considered to be the best-in-class North American railway. It has succeeded in eluding the economic downturn to some extent and reported earnings growth during the first quarter of the year through improved efficiency that was aided by lower fuel costs. Its operating ratio would have been lower had it not been for its recent acquisition of Elgin, Joliet, & Eastern Railway. Another railway, Norfolk Southern Corp. a major US railroad has also been recommended for investors being a low-cost, high-quality rail.

HIGHWAY TRANSPORTATION

1. CTA voices concerns about proposed Customs changes

The Canadian Trucking Alliance (CTA) has voiced concern over certain aspects of the proposed custom legislation (Bill S 2) in Canada that could impact the in-bond inland clearance of goods. Currently the onus is on the carrier to provide advanced information to Canada Border Services Agency (CBSA) about the truck, driver and goods entering Canada, even though the carrier does not own or package the cargo, and in some cases hasn't loaded the freight. This places an unfair burden on some parts of the supply chain. CTA is hopeful that the CBSA will allow carriers to continue moving the goods in-bond for later release, so the truck and driver could continue on their way. CTA also advocated other measures to increase the responsibility on other partners in the supply chain.

2. January 2009 Surface Trade with Canada and Mexico Fell 27.2 Percent from January 2008

Surface transportation trade between the United States and Canada and Mexico was 27.2 percent lower in January 2009 than in January 2008, dropping to \$47.5 billion. U.S.–Canada surface transportation trade totaled \$29.0 billion in January, down 31.1 percent compared to January 2008. The value of imports carried by truck was 31.3 percent lower in January 2009 compared to January 2008, while the value of exports carried by truck was 27.2 percent lower.

3. Canada, Ontario invest in GO service improvements across the GTA

GO Transit riders will benefit from an additional \$213 million in service improvements as part of the \$500 million joint investment between the Government of Canada and the Government of Ontario. These projects will reduce wait times for commuters and get more cars off the road.

4. Canada-B.C. partnership completes border crossing improvements

On April 3, 2009, the governments of Canada and British Columbia celebrated the completion of five vital improvements to the Lower Mainland's border crossings. These five-year, \$290-million Border Infrastructure Fund cost shared (between the federal and provincial government) projects will improve trade and tourism, and improve B.C.'s economy. More than 1.3 million trucks pass through the Lower Mainland's four border crossings each year with a value of goods in excess of \$24 billion.

5. B.C. legislation planning for safer trucking industry

A four-point plan to improve the safety of commercial vehicles has been tabled in the B.C. government. The plan is: implement a Premium Carrier Program where privileges are given to carriers that follow best practices; ensure enforcement activities to target shippers who overload or improperly load vehicles; remove vehicles with critical defects from the road by seizing their license plates for up to 30 days; and enhance the auditing program for the facilities in the Commercial Vehicle Inspection Program.

6. Kicking Horse phase 3 east construction accelerated

On April 8, 2009, government officials announced the beginning of construction of the Hill-to-Portal section of the Kicking Horse Canyon Project (\$68.5 million) in the fall of 2009, a year ahead of schedule. It will reduce the steep grade on Golden Hill, extend a fourth lane down the hill to provide a continuous four lanes through to the signals at the west end of the town

Highway Transportation

Canada

1. CTA voices concerns about proposed Customs changes, March 31, 2009, www.ctl.ca
2. January 2009 Surface Trade with Canada and Mexico Fell 27.2 Percent from January 2008, March 31, 2009, www.dot.gov
3. Canada, Ontario invest in GO service improvements across the GTA, April 3, 2009, www.tc.gc.ca
4. Canada-B.C. partnership completes border crossing improvements, April 3, 2009, www.tc.gc.ca
5. B.C. legislation planning for safer trucking industry, April 7, 2009, www.todaystrucking.com
6. Kicking Horse phase 3 east construction accelerated, April 8, 2009, www.tc.gc.ca
7. Top 50 U.S. trucking companies, April 14, 2009, www.joc.com
8. Schneider Logistics gives state of the industry overview, April 14, 2009, www.ctl.ca
9. Inland freight port gets gov't funding, April 15, 2009, www.todaystrucking.com
10. Longer Trucks Will Benefit Economy, Environment, Road Safety, April 16, 2009, www.mto.gov.on.ca
11. 2008 Border-Crossing Data, April 17, 2009, www.bts.gov
12. CBSA to retain in-bond option for cross-border carriers, April 18, 2009, www.ctl.ca
13. US freight transportation services bounce back in February, April 21, 2009, www.ctl.ca
14. McQuinty Government's Road Safety Legislation Passes Third Reading, April 21, 2009,
15. McQuinty Government's Distracted Driving Law To Take Effect This Fall, April 22, 2009, www.mto.on.gov.ca
16. TransForce turns profit, despite drop in revenue, April 27, 2009, www.ctl.ca
17. Mullen's revenue, profit slide in first quarter, April 29, 2009, www.ctl.ca
18. SPECIAL REPORT: New Brunswick next to consider speed limiters, April 29, 2009, www.todaystrucking.ca

US

1. Adoption by the Council of the Directive on Clean and energy efficient vehicles on road transport vehicles, March 30, 2009, www.europa.eu
2. Freight Transportation Services Index (TSI) Rose 2.0 Percent in February from January, April 8, 2009, www.dot.gov

and provide a grade separation at Golden Donald Upper Road for additional safety. There will also be improved linkages for cyclists and pedestrians, and greater protection for the abundant local wildlife with fencing and crossing structures.

7. Top 50 U.S. trucking companies

According to SJC estimates, the top five trucking companies in the U.S. are: UPS; FedEx; YRC; J.B. Hunt; and Schneider. They each have a market share of 24.8%, 12.6%, 8.8%, 3.9% and 3.9%, respectively. The next top 45 companies have a combined market share of 46%. These top 50 companies accounted for \$95.2 billion in revenue in 2008. A full report is provided in the April 6, 2009 issue of the *Journal of Commerce*.

8. Schneider Logistics gives state of the industry overview

Schneider Logistics experts see flat truckload rates, 1-3% rate increases for LTL carriers, increased trucking bankruptcies and declining truck sales to the remainder of 2009. In Canada reductions in capacity are expected. While the depreciation of the Canadian dollar and decline in oil prices will help Canadian trucking companies, the struggling auto sector and the volatility in oil prices do not work in its favour.

9. Inland freight port gets gov't funding

On April 15, 2009, Prime Minister Stephen Harper announced \$100 million in federal funds to help stimulate private sector investment in Manitoba with an equal contribution by Manitoba's government. This will keep Manitoba's dream of becoming the hub of North America's transportation wheel alive. Part of the new government funding will help develop a four-lane expressway that will connect CentrePort to the airport. The airport, along with Inkster blvd and the CP Rail Weston yards, will connect to the Perimeter Highway near Saskatchewan Ave via a high-speed corridor.

10. Longer Trucks Will Benefit Economy, Environment, Road Safety

The Ontario government has approved the use of long combination vehicle (LCV) transport trucks. These vehicles transport light, bulky goods more safely, more economically, with less greenhouse gas emissions. The program includes restrictions on its use.

11. 2008 Border-Crossing Data

The US Bureau of Transport reports that the number of truck crossings into the United States from Canada and Mexico was 10.8 million in 2008, 6.0 percent fewer than in 2007. Almost 5.9 million truck crossings were into the U.S. from Canada, down 10.1 percent from 2007.

12. CBSA to retain in-bond option for cross-border carriers

Until recently, Canada Border Services Agency (CBSA) suggested it would not allow goods to be moved in-bond for later clearance if all paperwork was not filed in advance by the owners of the cargo. Instead, trucks would have been turned back at the border, which would have proven costly for carriers. The Canadian Trucking Alliance argued that removing the in-bond option would negatively impact the entire supply chain. Eventually, CBSA agreed and said it would retain the in-bond option for carriers that participate in low-risk programs such as FAST, PIP, CSA or C-TPAT.

13. US freight transportation services bounce back in February

The US Department of Transportation's Bureau of Transportation Statistics (BTS) has reported that the Freight Transportation Services Index (TSI) rose 2.0% in February 2009 from a month earlier, rising from its lowest level in more than five years.

14. McGuinty Government's Road Safety Legislation Passes Third Reading

The Ontario legislature has passed the *Road Safety Act, 2009* to make the province's roads safer for all drivers. The new legislation will better protect young drivers, increase penalties for drinking and suspended drivers and gives police better enforcement tools.

15. McGuinty Government's Distracted Driving Law To Take Effect This Fall

Drivers will be prohibited from using hand-held cell phones and other hand-held electronic entertainment or communications devices while driving. The use of hands-free devices would be permitted. The bill on the subject received third reading and is expected to become law in Ontario in the Fall of 2009.

16. TransForce turns profit, despite drop in revenue

TransForce reported a first quarter profit of \$3.1 million in the quarter ended March 31, 2009 down from \$19.1 million for the first quarter of 2008. Revenue dipped to \$452.4 million in the first quarter, compared to \$526.3 million in the same period of 2008 – a decline of 14%. TransForce is Canada's largest trucking company followed by Mullen Group, Vitran Corporation Inc. And TransX.

17. Mullen's revenue, profit slide in first quarter

Mullen Group reported net income of \$31 million in the first quarter of 2009, down 37.8% from \$49.8 million over the same quarter last year. Revenue dropped 12.9% compared to the same quarter of 2008, down to \$312 million. Mullen is the second largest trucking company in Canada.

18. SPECIAL REPORT: New Brunswick next to consider speed limiters

New Brunswick is the latest province to consider speed limiters. It has so far resisted due to pressure from the owner

operator independent trucking association. But a senior official says that the legislature will consider a bill on speed limiters in the near future.

GENERAL

1. Communications compliance reports find transportation industry is adopting voluntary code to remove barriers

The Canadian Transportation Agency on April 1, 2009 released two reports which found that the majority of key transportation service providers are compliant with two important sections of the *Code of Practice: Removing Communication Barriers for Persons with Disabilities*.

2. Canada-U.S. trade falls nearly 10% in five years: Japan our #2

Canada is less reliant on U.S. trade than ever been before, accounting for less than 65.7% of Canada's total merchandise trade. Canada is the second largest exporter from Japan (outpacing China in 2008) but China is the second as far as imports into Canada are concerned.

3. Canada and U.S. to Renew Joint Clearance Talks

The U.S. and Canada will take another look at stationing customs officers in each other's country to clear goods before they arrive at the border. The matter was considered five years ago but failed. Some question whether it will work without legislative changes.

4. Canada's exports expected to plunge record 22%

Peter Hall, the chief economist at the Export Development Corporation said the value of exports is expected to plummet a record 22% in 2009 due to a drop in volumes, commodity prices and the Canadian dollar. This is a drop of 8.5% from 2008. This is expected to weigh heavily on the economy causing it to contract by 2% in 2009. This will negatively impact transport companies. In 2010, exports are expected to rise 7.4% and gross domestic product to rise 1.7%.

General Canada

1. Communications compliance reports find transportation industry is adopting voluntary code to remove barriers, April 3, 2009, www.cta-otc.gc.ca
2. Canada-U.S. trade falls nearly 10% in five years: Japan our #2, April 3, 2009, www.todaystrucking.com
3. Canada and U.S. to Renew Joint Clearance Talks, April 7, 2009, www.joc.com
4. Canada's exports expected to plunge record 22%, April 28, 2009, www.nationalpost.ca

US

1. Intelligent Transportation System, A smart move for Europe, April 1, 2009, www.europa.eu
2. Economist Predicts Quicker Recovery, April 8, 2009, www.joc.com
3. National Transportation Statistics Update, April 10, 2009, www.bts.gov

Publications

1. Multiple Format Policy Compliance Report
2. Alternative Communications System Compliance: Airport Car Rental Companies

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