

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Air Canada catches updraft

Calin Rovinescu, CEO of Air Canada, is embarking on a mission he expects will take five years. He plans to win back disgruntled travellers, “re-engage” employees and overhaul the corporate culture. First, he plans to cut costs by more than the \$250 million that he had originally planned. This could include grounding some planes amid the slowdown that traditionally follows Labour Day and temporarily reducing more staff during the economic slump. Second, he plans to give staff more decision-making powers. Third, he plans to renew focus on customer relations for example, waiving aside travel assistance fees and call centre booking fees, reinstating pillows and blankets on long distance flights, etc.

### 2. Porter Airlines moving closer to an IPO

Porter Airlines Inc.’s (the Toronto Island recent air carrier) CEO says it is considering an initial public offering (IPO) as it ponders another aircraft purchase. It has raised funds for its \$45-million new terminal and its existing order for 20 Bombardier Q400 turboprops. It has about 1% of the domestic market, has not fared too badly during the recession and is considering expansion. To continue on its growth path, it will need additional planes. If it chooses to do so, it will have to place another order for aircraft and will likely need to raise funds through a public offering.

### 3. Canada and South Africa reach Blue Sky air transport agreement

Canada successfully concluded an open skies air transport agreement with the Government of the Republic of South Africa. The agreement provides rights for airlines to operate passenger and all-cargo flights between the two countries with routing and pricing flexibility. Airlines may also choose to offer air services using the flights of other airlines, commonly known as code-sharing services. The agreement contains strong provisions dealing with aviation safety and security. Since January 2006, the Government of Canada has signed or updated Air Service Agreements with 48 countries.

### 4. Aircraft movement statistics: Small airports

Statistics Canada reports that the number of take-offs and landings at the 116 airports without air traffic control towers reached 56,076 movements in May 2009, down 11.4% compared with the 63,292 take-offs and landings for the 120 airports reported in May 2008.

### 5. WestJet selects RBC and MasterCard for new travel rewards card

On August 5, 2009, WestJet announced that it is teaming up with RBC Royal Bank and MasterCard for the upcoming launch of its new travel rewards credit card. The new co-branded card will allow guests to earn WestJet rewards.

### 6. Air Canada reports record consolidated load factor for July

On August 5, 2009, Air Canada reported its traffic for July 2009. The combined carriers (Air Canada and Jazz) reported: a load factor of 83.6% (compared to 83% for July 2008, a .6 points increase); revenue passenger miles 4,852 million (3.3% lower); and available seat miles or capacity 5,802 million (4.1 % lower). Calin Rovinescu, President and Chief Executive Officer said “This result, achieved despite persistent weakness in the global economy, is attributable to our disciplined approach to managing capacity, evidenced by the stable load factors across our entire global network. It is also reflective of our commitment to revitalize our distribution network, which is benefiting both Air Canada and our agency partners.”

## Current Developments in Brief

### Air Transportation

#### CANADA

1. Air Canada catches updraft, August 5, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
2. Porter Airlines moving closer to an IPO, August 5, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
3. Canada and South Africa reach Blue Sky air transport agreement, August 5, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
4. Aircraft movement statistics: Small airports, August 5, 2009, [www.statcan.gc.ca](http://www.statcan.gc.ca)
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6. Air Canada reports record consolidated load factor for July, August 5, 2009, [www.aircanada.ca](http://www.aircanada.ca)
7. WestJet posts 17th straight profitable quarter, August 6, 2009, [www.westjet.ca](http://www.westjet.ca)
8. WestJet squeaks out profit despite weak demand, August 6, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
9. WestJet announces July load factor of 76.4 per cent, August 6, 2009, [www.westjet.ca](http://www.westjet.ca)
10. WestJet boss suffering some jet lag, August 7, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
11. Air Canada reports 2009 second quarter results, August 7, 2009, [www.aircanada.ca](http://www.aircanada.ca)
12. Air Canada Q2 net profit rises 27%, August 7, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
13. Air Canada plots route to stronger balance sheet, August 7, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
14. Airline recovering, but slump lingers: CEO, August 9, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
15. Street remains cautious on Air Canada, August 10, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
16. Canadian airport to test ‘behaviour detection’ program, August 14, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
17. Groupe Aeroplan profit falls, August 14, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
18. Aloha! Air Canada to launch the only non-stop flights between Calgary and Hawaii, August 18, 2008, [www.aircanada.ca](http://www.aircanada.ca)
19. Air Canada and Air Canada Vacations bring more holiday sun to Canadians this winter; over 560 flights each week from Canada to more destinations, August 18, 2009, [www.aircanada.ca](http://www.aircanada.ca)

\* The CTRF is not responsible for the information provided in this Update. \*\* The information provided is from the Authors and neither the Competition Bureau or Industry Canada is responsible for it.

## 7. WestJet posts 17th straight profitable quarter

On August 6, 2009, WestJet announced reported net earnings of \$9.2 million, or seven cents per diluted share compared to \$26.8 million or twenty-one cents for the second quarter of 2008. Sean Durfy, WestJet President and CEO, said "Similar to the first quarter, the weakened economy and aggressive pricing continue to have an unfavourable impact on RASM. However, lower fuel prices resulted in a significant decline in CASM from last year and lessened the profitability erosion."

## 8. WestJet squeaks out profit despite weak demand

In light of its lower profit in the second quarter of 2009, WestJet Airlines Ltd. warns of continuing tough times ahead. As a result, WestJet intends to scale back its flying for the remainder of the year, focussing on more profitable routes, which will lead to an overall capacity decline of 1% to 2% during the third quarter. It will also reduce its full-year capacity growth plans to between 2% and 3%.

## 9. WestJet announces July load factor of 76.4 per cent

On August 6, 2009, WestJet announced its traffic results for July 2009 - a load factor of 76.4 per cent, available seat miles of 1.552 billion and revenue passenger miles of 1.186 billion. In terms of yearly month to month comparison, for July 2009, the load factor was down 3.3 points and available seat miles and revenue seat miles were down .4% and 4.5%, compared to July 2008. Sean Durfy, WestJet President and CEO, said "Although there have been some early indications that the economy may be improving, the airline industry typically lags economic improvement by six or more months," ... "As we move into the second half of 2009, we are continuing to assess both our capacity and where we deploy our aircraft."

## 10. WestJet boss suffering some jet lag

Sean Durfy, CEO of WestJet Airlines Ltd., offered a rather gloomy assessment of the state of the airline industry, saying he doesn't expect the market for air travel to fully recover until at least 2011 and that his carrier would scale back its growth plans accordingly. The primary concern is consumer confidence which has eroded.

## 11. Air Canada reports 2009 second quarter results

On August 7, 2009, Air Canada reported second quarter 2009 net income of \$155 million which included gains on foreign exchange of \$355 million. This compares with net income of \$122 million in the second quarter of 2008 that included gains on foreign exchange of \$48 million. The carrier reported an operating loss of \$113 million for the second quarter of 2009 on operating revenues of \$2330 million compared to operating income of \$7 million in the second quarter of 2008 on operating revenues of \$2782 million. Its operating expenses decreased \$332 million or 12 per cent from the second quarter of 2008 and included reduced fuel expense of \$276 million over the same period in 2008. Passenger revenue and revenue available per seat mile decreased by 16% and 11.3% for this quarter.

## 12. Air Canada Q2 net profit rises 27%

Air Canada reported a 27% increase in its second-quarter net earnings on August 7, 2009, helped by foreign exchange gains. If losses on capital assets of \$71-million and gains on foreign exchange of \$355-million are excluded, the company posted a loss of \$1.29 a share. Its load factor, or the number of seats filled, fell by 2.2 percentage points to 80.5% in the quarter.

## 13. Air Canada plots route to stronger balance sheet

Air Canada is planning a stronger balance sheet by introducing various cuts in its cost. The carrier said it would be parking some of its planes this winter and intends to shrink its capacity by 3% to 4% in the third quarter of 2009 and by between 4.5% and 5.5% for the rest of the year, down a further 0.5% from its previous estimate. Capacity on its domestic routes are now expected to fall by between 4.5% and 5.5% this year as well, down from its previous estimate of 3% and 4%. It is not considering any labour cuts but some may become inevitable in light of the above.

## 14. Airline recovering, but slump lingers: CEO

Air Canada's CEO indicated on August 9, 2009 that the Air Canada has succeeded in avoiding bankruptcy due to its agreement with labour and the recent financing obtained. Nevertheless, uncertainty remains in light of the recession even though the airline is recovering.

## 15. Street remains cautious on Air Canada

Despite the success of Air Canada in negotiating concessions from labour and obtaining financing, Bay Street continues to question what this all means for the airline. Of the nine analysts covering the stock, five have a "hold" rating or equivalent on it while four have a "sell". Its balance sheet remains fragile when total estimated debt is considered and the company could be pushed to the edge if oil prices rise as in the previous year.

20. Australia Sues Emirates for Price Fixing, August 19, 2009, [www.joc.com](http://www.joc.com)
21. Air Canada to launch only daily non-stop service between Montréal and Houston, Texas, August 19, 2009, [www.aircanada.ca](http://www.aircanada.ca)
22. Air Canada tests DIY baggage tags, August 21, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
23. WestJet announces significant fleet-plan enhancements, August 24, 2009, [www.westjet.ca](http://www.westjet.ca)
24. Air Canada pilots elect new association president, August 24, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
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26. Groupe Aeroplan soars, August 28, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
27. Air Canada to launch non-stop service to Athens and Barcelona from Montréal and Toronto, August 28, 2009, [www.aircanada.ca](http://www.aircanada.ca)

## US

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2. June Airline On-Time Performance Better Than Last Year But Down From May, August 4, 2009, [www.dot.com](http://www.dot.com)
3. BTS Posts Airline Employment Numbers, August 7, 2009, [www.bts.gov](http://www.bts.gov)
4. DOT Fines Three Airlines for Violations of Consumer Rules, August 10, 2009, [www.dot.gov](http://www.dot.gov)
5. May 2009 Airline Traffic Data: System Traffic Down from May 2008, August 14, 2009, [www.dot.gov](http://www.dot.gov)
6. June 2009 U.S. Passenger Airline Employment Down 6.3 Percent from June 2008, August 18, 2009, [www.bts.gov](http://www.bts.gov)
7. LAX Freight Reaches 2009 High, August 26, 2009, [www.joc.com](http://www.joc.com)

**16. Canadian airport to test 'behaviour detection' program**

Beginning in 2010, some air travellers will be scrutinized by airport "behaviour detection officers" for physiological signs of hostile intent -- in other words: screening for dangerous people rather than just for dangerous objects. Air travellers' facial expressions and body movements could enable airport personnel to see if air travellers could be criminals and terrorists.

**17. Groupe Aeroplan profit falls**

Groupe Aeroplan Inc. reported a 15% fall in second-quarter profit for 2009 as a result of reduced margins and higher costs. It posted a profit of \$26.7-million (13 cents a share) for the quarter ended June 30, 2009 compared with \$31.4-million (16 cents) in the second quarter of 2008. Total revenue is down about 1% to \$333.5-million, compared with \$336.7-million last year.

**18. Aloha! Air Canada to launch the only non-stop flights between Calgary and Hawaii**

Air Canada announced on August 18, 2009 that beginning December 5, 2009, it will launch the **only non-stop**, seasonal service between Calgary and Hawaii. It will save passengers more than two and a half hours of trip time in each direction when compared to flying over other routings.

**19. Air Canada and Air Canada Vacations bring more holiday sun to Canadians this winter; over 560 flights each week from Canada to more destinations**

In the winter of 2009, Air Canada and Air Canada Vacations will boost capacity with more seats each week to an expanded choice of 49 popular holiday sun destinations.

**20. Australia Sues Emirates for Price Fixing**

Australian competition regulators filed a suit in the country's federal court against Emirates, alleging price fixing in an arrangement with other air cargo carriers. Emirates denied the charges.

**21. Air Canada to launch only daily non-stop service between Montréal and Houston, Texas**

Effective November 30, 2009, Air Canada will offer the only daily non-stop year-round service from Montreal to Houston, Texas (hub of future Star Alliance partner Continental Airlines). It will enable passengers to make connections on Continental's US network.

**22. Air Canada tests DIY baggage tags**

In 2010, a pilot project by Air Canada will allow customers to print baggage tags from selected hotels and convention centres. If the airline's pilot project is successful, the carrier would then study how to let passengers print baggage tags from home. This project is designed to reduce bottlenecks at airports. Air Canada launched its iPhone and iPod Touch applications on August 20, 2009.

**23. WestJet announces significant fleet-plan enhancements**

On August 24, 2009 WestJet announced enhancements to its fleet plan, which include the rescheduled delivery of 16 aircraft and the purchase of an additional 14 Boeing Next-Generation 737 aircraft. These changes provide for a smoother aircraft delivery schedule and a more flexible fleet plan.

**24. Air Canada pilots elect new association president**

Paul Strachan has been elected as the new president of Canada's air pilots union.

**25. In the Red, Despite Demand Improvements**

The July 2009 passenger demand fall of 2.9% was a relative improvement over the 7.2% drop in June 2009, similarly for cargo the fall was 11.3% compared to 16.5%. The July figures can also be compared to statistics for the first seven months of the year which show a decline of 6.8% and 19.3%. While this suggests an improvement, there has been little change in yield and revenues according to IATA.

**26. Groupe Aeroplan soars**

Groupe Aeroplan's \$150-million debt sale on August 27, 2009 was successful. The loyalty rewards company sold five year bonds with a 7.9 per cent interest rate. (This is 529.5 basis points over the comparable government of Canada bond). This is a reduction in its borrowing costs as its April 2009 debt issue of \$200-million bond, for three years carried a 9 per cent coupon.

**27. Air Canada to launch non-stop service to Athens and Barcelona from Montréal and Toronto**

On August 28, 2009, Air Canada announced that it will introduce Montréal-Athens and Montréal-Barcelona as well as Toronto-Athens and Toronto-Barcelona non-stop seasonal services between June 3 and October 18, 2010.

## WATER TRANSPORTATION

### 1. Port Metro Vancouver Mid-Year Stats Include Bright Spots in a Difficult First Half for 2009

Mid-year cargo statistics released by Port Metro Vancouver indicate a difficult year-to-date but there were a few positive areas of growth. Overall tonnage was down almost 17% (i.e. 48.8 million tonnes) and container volume declined 15% from the same period in 2008. However, there were significant increases in commodities such as grain and petroleum. In addition, the cruise sector increased 5% (i.e. 354,251 passengers) from the first half of 2008.

### 2. Legislation to protect Canada's arctic waters comes into force

On August 6, 2009, Canada's Transport Minister John Baird, announced that Bill C-3, an *Act to amend the Arctic Waters Pollution Prevention Act*, came into force on August 1, 2009. "The amendment enables Canada to exercise its authority over a greater area, which will better protect our Arctic waters from pollution for generations to come." The authority covers 200 nautical miles from the previous 100 nautical miles.

### 3. Atlantic businesses urge Fed intervention to fix Marine Atlantic

Transport Canada will consider ordering new vessels as one way to improving the service levels at Marine Atlantic. A number of problems have affected the Crown corporation's service between North Sydney-Port aux Basques ferry fleet.

### 4. North American container shipping slips again

According to the Intermodal Association of North America, total intermodal volumes slipped 18.7 percent in the second quarter of 2009 compared to the same period last year, settling at 2.8 million. The goods news for Canadians is that US western ports posted the smallest decreases.

### 5. Direct Container Shipping Service Between Halifax & Vietnam Ports Begins August 19

The CKYH Alliance members, Cosco Container Lines, "K" Line, Yang Ming and Hanjin Shipping will start direct container shipping service between ports in Vietnam and Halifax on August 19, 2009. Ho Chi Minh City, a growth market for the Port of Halifax, is being added to the current service including direct port calls at Singapore, Shekou, Hong Kong, and Yantian. South East Asia, including Vietnam.

### 6. Great Lakes Steel Inches Toward Recovery

Last years drop in global steel demand appears to be easing. No one is asserting that happy days are here again -- but demand appears to be inching upward from the abyss. There are signals that breakbulk transportation of steel on the Great Lakes is likely to benefit.

### 7. Increased grain traffic and market diversification

The volume of increased containerized cargo handled at the port of Montreal for the first six months of 2009 declined 18.4% compared to the same period last year. The amount of TEUs (full and empty) for the six month period fell 14.6% to 619,721. However, these results are better than those of the port of Montreal's competitors on the East Coast. The results were very positive for grain transportation. The ports diversification had a favourable effect and the container traffic with the Mediterranean increased 22.2%.

### 8. Cumulative containerized traffic January to July 2009 - Port Metro Vancouver

Cumulative TEUs for January to July 2009 were 1,230,068 down 15% over the same period a year ago. Outbound TEUs were down 13% and in bound TEUs were down 17%.

### 9. Cumulative Cruise shipping April to July 2009 (YTD) - Port Metro Vancouver

Cumulative number of cruise passengers at the Port of Vancouver till the end of July 2009 was 534,051 or 5.2% higher than the same period in 2008. Revenue passengers increased by the same percent.

## Water Transportation

### Canada

1. Port Metro Vancouver Mid-Year Stats Include Bright Spots in a Difficult First Half for 2009, July 31, 2009, [www.portmetrovancover.com](http://www.portmetrovancover.com)
2. Legislation to protect Canada's arctic waters comes into force, August 6, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
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5. Direct Container Shipping Service Between Halifax & Vietnam Ports Begins August 19, 2009, [www.portofhalifax.ca](http://www.portofhalifax.ca)
6. Great Lakes Steel Inches Toward Recovery, August 14, 2009, [www.ioe.com](http://www.ioe.com)
7. Increased grain traffic and market diversification, August 12, 2009, [www.portofmontreal.ca](http://www.portofmontreal.ca)
8. Cumulative containerized traffic January to July 2009 - Port Metro Vancouver, August 17, 2009, [www.portvancover.com](http://www.portvancover.com)
9. Cumulative Cruise shipping April to July 2009 (TTD) - Port Metro Vancouver, August 17, 2009, [www.portvancover.com](http://www.portvancover.com)
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11. Port of Prince Rupert Newsletter (August 2009), August 2009, [www.ruperport.com](http://www.ruperport.com)
12. Government of Canada improves safety, protects our environment, August 20, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
13. Ocean Carriers See Red, *The Journal of Commerce*, August 10, 2009, p. 13.
14. Government of Canada takes action to protect Canadian waters from ship-source pollution, August 22, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
15. Australia probes terminal deal, August 27, 2009, [www.accc.gov.au](http://www.accc.gov.au)
16. Ports Plead with Railroads, *The Journal of Commerce*, August 24, 2009, pp. 10-13.
17. Deltaport hosts the Zim Djibouti, one of the world's largest container ships, August 28, 2009, [www.portvancover.com](http://www.portvancover.com)

#### **10. Containerized traffic July 2009 - Port Metro Vancouver**

Cumulative TEUs for July 2009 were 167,850 up 4.9% from the previous month. Outbound TEUs were 78,551 TEUs down 6.9% and inbound TEUs were 89,299 up 18.2%.

#### **11. Port of Prince Rupert Newsletter (August 2009)**

The major highlights (for the first half of 2009) in the August Newsletter of the Port of Prince Rupert were: cargo volumes rebound to match 2008 levels; Fairview container traffic up substantially (TEU's up 124%); wheat pushes up Prince Rupert Grain volumes (up 32.8%); Ridley Terminals Inc. suffers from depressed global coal demand (down 48.6%); and the Fairview Container Terminal Phase 2 Public consultation on the environmental assessment process has been completed.

#### **US**

1. West Coast Ports Volume Fell 20.7 Percent, August 4, 2009, [www.joc.com](http://www.joc.com)
2. Shipping in the downturn Sea of troubles, July 30, 2009, [www.economist.com](http://www.economist.com)
3. Maersk halts ship production at Danish yard, August 13, 2009, [www.ctl.ca](http://www.ctl.ca)
4. Trade Slump Hurts West Coast Container Volume, August 18, 2009, [www.joc.com](http://www.joc.com)
5. NY-NJ Containers Fall 18.8 Percent, August 20, 2009, [www.joc.com](http://www.joc.com)

#### **12. Government of Canada improves safety, protects our environment**

On August 20, 2009, Canada's Transport Minister John Baird announced amendments to the *Vessel Operation Restriction Regulations*. The changes improve safety and protect the environment by restricting vessel navigation on select waterways in three areas in Canada. The specific areas impacted are: Lac Nairne, Lac Bleu, and Lac Saint-François-Xavier in Quebec; Kempenfelt Bay, Lake Simcoe, in Ontario; and Columbia Wetlands in southeastern British Columbia.

#### **13. Ocean Carriers See Red**

According to Drewry Shipping Consultants, ocean carriers are faced with a \$20 billion loss in 2009 due to the global trade downturn, plummeting rates, bloated costs and arrival of new ships. Losses of some of the major carrier are: A.P. Moller-Maersk (\$273m.), Neptune Orient Lines (\$245m.), Hapag-Lloyd (\$302m.), Hanjin Shipping (\$191m.), NYK Line \$263m.), MOL (\$136m.) and K Line (\$155m.).

#### **14. Government of Canada takes action to protect Canadian waters from ship-source pollution**

The Government of Canada is committed to protecting and preserving Canada's North. As a tool to prevent pollution from entering Canada's oceans, the Dash 7 and the National Aerial Surveillance Program help us to meet this commitment. Over the past 10 months, the Dash 7 was modernized and equipped with a Maritime Surveillance System. With this equipment, the Government of Canada can track and identify polluters on a 24-hour basis and in situations with reduced visibility, such as darkness or low cloud cover.

#### **15. Australia probes terminal deal**

The Australian Competition and Consumer Commission announced on August 27, 2009 that it intends to oppose the proposed acquisition of container park operator Maritime Container Services Pty Ltd by POTA NSW Pty Ltd. The move follows industry consultation that ACCC chairman Graeme Samuel said had uncovered "significant competition concerns" related to the deal.

#### **16. Ports Plead with Railroads**

Executive directors of six US west coast ports wrote to railroads BNSF and UP indicating that they are losing container volume to ports in Canada, Mexico and East coast ports. The rise in intermodal rail rates in the past three years has caused the loss of market share, which the directors claim needs to be addressed. At the same time, the railways are facing pressure from Washington as momentum increases to tighten rail regulation.

#### **17. Deltaport hosts the Zim Djibouti, one of the world's largest container ships**

TSI Terminal Systems Inc. reports that the ZIM Djibouti, one of the largest container ships operating in the world, was docked at the Deltaport terminal from August 23<sup>rd</sup>, 2009 until August 26<sup>th</sup>, 2009. The ship is the size of three football fields and can carry 10,000 twenty-foot container boxes. It is a sign that Deltaport has become a truly world class facility.



## RAIL TRANSPORTATION

### Canada

#### 1. CP keeps chugging along after strong Q2

Shares in Canadian Pacific Railway Ltd. continued to rise after its better-than-expected second quarter result. It reported earnings of 59¢ a share, down about 36%, from last year, but well ahead of the Street's expectation of 37¢ a share. Its shares climbed nearly 15%, including a more than 4% jump on July 30, 2009.

#### 2. Canadian Pacific announces sale of Windsor Station to Cadillac Fairview

Canadian Pacific Railway Limited announced the sale of Windsor Station and significant other related real estate assets to The Cadillac Fairview Corporation Limited for \$86 million. It will, however, remain the principal tenant of Windsor Station, reflecting its close connection to the building and its long-term presence in Montreal.

#### 3. Rail carloadings drop in May

The Canadian railway industry loaded 19.1 million metric tonnes in May 2009, down 21.4% from the same month in 2008, according to Statistics Canada. The drop in tonnage was the result of decreased freight loadings in both non-intermodal and intermodal cargo. Some commodities in the non-intermodal group saw some gains.

#### 4. Canadian Pacific downgraded at National Bank

A National Bank Financial analyst, downgraded Canadian Pacific Railway Ltd.'s stock to a "sector perform" from an "outperform". This may be because of the recent rise in its share price by 19.4% since it disclosed its second quarter results. The downgrade was made even though the traffic forecasts indicate that the slump may have bottomed out and the third quarter decline for 2009 may not be as large as the second quarter decline.

#### 5. Canada Line begins service with fare-free day

On August 17, 2009, Canada Line, which provides rapid transit service between downtown Vancouver, Richmond and Vancouver International Airport, was officially opened three-and-a-half months ahead of schedule with a fare-free day. The \$2 billion project is one of the largest infrastructure projects completed in British Columbia. It will transport passengers along the 19-kilometre route from downtown to the Airport in just 25 minutes, and is projected to carry 100,000 passengers per day, eliminating 14,000 tonnes of greenhouse gas emissions annually.

#### 6. Big Rails in the Green

North American railways (including Canada) are the healthiest segment of the US freight carrying business. Class I carriers reported profits ranging from a high of \$468 million for Union Pacific Railroad to \$6.7 for Kansas City Southern. These profits however have been declining when compared to the previous year, with the exception of BNSF Railways and Canadian Pacific. It has been suggested that these profits reflect pricing power (as all class I railroads were able to boost pricing to make up for falling revenues), cost cutting and productivity improvements.

#### 7. Rockefeller's Mission: Aid The Captives

Senator Rockefeller is sending signals that he wants the Surface Transportation Board (STB) to regulate railroads more aggressively on behalf of captive shippers. Railroad executives and shipper representatives trust Rockefeller to write legislation that addresses their needs. The nomination of Daniel R. Elliott to the head of the STB attracted the attention of Rockefeller. Senator Rockefeller unlike Senator Hutchison does not want Elliott to take a neutral balance stance, as this neutrality hadn't served captive shippers well in the past, which has made it an issue for so long. Elliott said he would take a careful look and be proactive.

#### 8. Reform Grinds, and Sparks

The Senate confirmed former United Transportation Union attorney Daniel R. Elliott appointment to the three-person Surface Transportation Board. This will be a first time that the Board will be led by a rail union official with the new impending rail bill. Regulatory changes that the rail bill is expected to introduce has been delayed in secretive talks. Despite the delay, Senator Rockefeller says the bill will be introduced as it is a priority.

#### 9. Canadian Pacific disclosure practices recognized

On August 25, 2009, Canadian Pacific Railway Company announced that it has been awarded the Governance Gavel Award for Director Disclosure by the Canadian Coalition for Good Governance (CCGG). The award recognizes excellence in shareholder communications, particularly through the annual proxy circular. A company's disclosure is judged against best practices as defined by the CCGG.

#### 10. Railway carloadings

### Rail Transportation

#### Canada

1. CP keeps chugging along after strong Q2, August 4, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
2. Canadian Pacific announces sale of Windsor Station to Cadillac Fairview, August 4, 2009, [www.cpr.ca](http://www.cpr.ca)
3. Rail carloadings drop in May, August 10, 2009, [www.ctl.ca](http://www.ctl.ca)
4. Canadian Pacific downgraded at National Bank, August 18, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
5. Canada Line begins service with fare-free day, August 17, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Big Rails in the Green, *The Journal of Commerce*, August 10, 2009, p. 30.
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8. Reform Grinds, and Sparks, *The Journal of Commerce*, August 17, 2009, p. 14.
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#### US

1. Rail Reform Talks Continue, Thune Says, August 5, 2009, [www.joc.com](http://www.joc.com)
2. Rail Traffic Strengthens Again, August 6, 2009, [www.joc.com](http://www.joc.com)
3. Rail Freight Pushes to Five-Month High, August 20, 2009, [www.joc.com](http://www.joc.com)
4. [U.S] Railroads Increase Employment in July, August 20, 2009, [www.joc.com](http://www.joc.com)

The Canadian railway industry loaded 19.7 million metric tonnes in June 2009, down 12.3% from the same month in 2008. The decline in tonnage was recorded in both non-intermodal and intermodal traffic. A number of commodity groups saw strong gains in tonnage loaded, including wheat, colza seeds (canola) and fresh, chilled or dried vegetables.

#### **11. Canadian Pacific upgraded at RBC**

Despite the decline in traffic volume, CP has been successful in cutting costs. As a result, an analyst at RBC Capital Markets anticipates earnings of \$2.86 a share for CP in 2009, \$3.77 a share in 2010 and \$4.75 in 2011. The analyst raised his rating on the stock to an "outperform" and raised his price target to \$67 a share, from the current \$49.

### **HIGHWAY TRANSPORTATION**

#### **1. Government Partnership Creates Jobs with Toronto-York Spadina Subway Extension**

Government officials announced on August 7, 2009 that a contract for the purchase of four tunnel boring machines for the Toronto-York Spadina subway extension has been awarded to LOVAT Inc., a Toronto company. The total contract value is approximately \$58.4 million and will generate manufacturing jobs in the Greater Toronto Area. The total cost of the subway extension is estimated at \$2.6 billion and is expected to be completed in 2015.

#### **2. Trimac posts lower profits in second quarter**

Trimac's transportation revenue dropped \$9.1 million in the second quarter of 2009 compared to the second quarter of 2008 and net earnings plunged from \$2.6 million to \$1.1 million. For the six month period ending June 30, 2009 net earnings dropped to \$400,000 from \$3.2 million in 2008.

#### **3. Clarke's freight transportation segment weighs down earnings**

Clarke Inc.'s freight transportation segment suffered a 22% decline in revenue in the second quarter of 2009. Freight transportation revenue totalled \$43.5 million in the second quarter, down from \$56.1 million over the same period in 2008. For the six-month period ended June 30, 2009, Clarke's freight transportation segment saw revenue drop 19% compared to the same period in 2008.

#### **4. Mullen Group's Q2 profits down 10.6%**

Mullen Group, the second largest trucking company in Canada, saw its revenue drop 18.6% in the second quarter of 2009 compared to the same three-month period last year. The revenue decline stemmed from lower revenues in both the trucking/logistics segment as well as the oilfield services segment. On the trucking side, the company said the decrease in revenue is attributable to the continuing recession and its impact on freight demand, especially in western Canada.

#### **5. Feds looking for carriers to study wait times**

Transport Canada is undertaking a project to measure queuing times at ports, wait times at border crossings and travel times between major cities and along major trade corridors. It is therefore looking for motor carriers to participate in this project.

#### **6. Large urban transit (June 2009) Preliminary**

Combined ridership (123.5 million passenger trips) and revenue levels for 10 of Canada's largest urban transits (80% of total urban transit) were up (0.5%) in June 2009 compared with the same month last year.

#### **7. Interchange project breaks ground in Regina**

Government officials marked the beginning of construction on the \$34-million Lewvan Drive and Highway 1 interchange in southwest Regina on August 21, 2009. Saskatchewan Highway and Infrastructure Minister Reiter said "Safety and growth are the motivating factors behind the construction of this interchange, ..."

#### **8. Prince George celebrates Simon Fraser Bridge completion**

Government officials celebrated the opening of the twinned Simon Fraser Bridge on August 23, 2009. The twinned Simon Fraser Bridge doubles the number of lanes from two to four. Twinning the Simon Fraser Bridge will reduce traffic congestion and save travel time for commuters, tourist and commercial vehicles crossing the bridge while improving highway safety.

#### **9. David Miller won't return my calls, port authority chief laments**

The chair of the Toronto Port Authority criticized City Hall for refusing to talk about alternative ways to link the island airport with the mainland. This has been a political issue and the Mayor remains steadfastly against any "fixed link" to the island. In contrast, the federal government said it would have a "favourable response" to the port authority's pitch for stimulus funds to build a tunnel to the island and Premier Dalton McGuinty said a tunnel would be "worthy of consideration." A poll of 500 Torontonians conducted for the Port Authority found 62% endorsed the idea and other

#### **Highway Transportation**

##### **Canada**

1. Government Partnership Creates Jobs with Toronto-York Spadina Subway Extension, August 7, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Trimac posts lower profits in second quarter, August 13, 2009, [www.ctl.ca](http://www.ctl.ca)
3. Clarke's freight transportation segment weighs down earnings, August 13, 2009, [www.ctl.ca](http://www.ctl.ca)
4. Mullen Group's Q2 profits down 10.6%, August 14, 2009, [www.ctl.ca](http://www.ctl.ca)
5. Feds looking for carriers to study wait times, August 17, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
6. Large urban transit (June 2009) Preliminary, August 20, 2009, [www.statcan.gc.ca](http://www.statcan.gc.ca)
7. Interchange project breaks ground in Regina, August 22, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Prince George celebrates Simon Fraser Bridge completion, August 23, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
9. David Miller won't return my calls, port authority chief laments, August 26, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
10. Couriers and Messengers Services Price Index, August 27, 2009, [www.statcan.gc.ca](http://www.statcan.gc.ca)

##### **US**

1. U.S. Freight Transportation Services Index (TSI) Unchanged in June from May, August 13, 2009, [www.dot.gov](http://www.dot.gov)
2. Trucking Bankruptcies Plunge 62 Percent, August 24, 2009, [www.ioc.com](http://www.ioc.com)
3. US truck tonnage jumps slightly, August 27, 2009, [www.toadyatrucking.com](http://www.toadyatrucking.com)

organizations have written favouring the tunnel.

#### **10. Couriers and Messengers Services Price Index**

The Couriers and Messengers Services Price Index increased 1.3% from June 2009 to 139.1 in July 2009. The courier portion rose 1.6% and the local messengers component remained unchanged.

### **GENERAL**

#### **1. Obama tackles protectionism at NAFTA summit**

U.S. President Obama pledges to "amend" NAFTA and promised he would do what he could to re-launch the Mexican cross-border truck project. He reaffirmed "the need to reject protectionism." Nevertheless, he seemed less concerned about Canadian anxiety over U.S. protectionist policies.

#### **2. Travel between Canada and other countries (June 2009)**

Travel between Canada and other countries decreased in June 2009 compared with May 2009. Travel to United States from Canada decreased 9.6% from June 2009 to May 2009 and travel to Canada from the United States decreased 15.6%. Travel from overseas countries decreased 0.8% in June 2009 from May 2009 and Canadians trips to overseas countries in June was up 3.9% from May.

#### **3. Major projects on the rise in B.C.**

Despite the economic downturn, the value of major construction projects planned or underway across B.C. has risen to \$188.1 billion, setting a record for the 19th time in a row. As of June 2009, there was an increase of 11 percent in estimated value from the same time period last year.

### **General**

#### **Canada**

1. Obama tackles protectionism at NAFTA summit, August 11, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
2. Travel between Canada and other countries (June 2009), August 19, 2009, [www.statcan.gc.ca](http://www.statcan.gc.ca)
3. Major projects on the rise in B.C., August 20, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)

#### **US**

1. Americans show preference for protectionism: Poll, August 13, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)

### **Conferences**

1. 20th Annual Breakbulk USA Transportation Conference and Exhibition, "Generating a Breakbulk Turnaround", *October 13 – 15, 2009, New Orleans, LA USA.*