

# Transportation Information Update\*

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May 2009, No. 57

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## AIR TRANSPORTATION

### 1. Airlines strike back with passenger bill of rights

To prevent a private member's bill from introducing stiff penalties on Canadian airlines, four Canadian airlines have introduced a binding passenger's bill of right that would take effect in the second week of June 2009. This will ensure airlines provide meal vouchers for four-hour delays, pay for hotel rooms for overnight disruptions, rebook bumped passengers and let travellers off the plane if stuck on the tarmac longer than 90 minutes. It will be enforceable by the Canadian Transport Agency.

### 2. Swine flu little impact on WestJet

An analyst indicates that swine flu will have little effect on WestJet's quarterly earnings for 2009. This is because the peak flight season is between November and April, because the airline responded by discontinuing its flights to Mexico and because of the current weak demand.

### 3. Air Canada inaugurates new daily non-stop seasonal service between Toronto and Sydney, Nova Scotia

On May 1, 2009, Air Canada inaugurated new daily seasonal non-stop service between Toronto and Sydney, Nova Scotia.

### 4. Air Canada introduces industry leading Lowest Fare Guarantee

Under the new Lowest Fare Guarantee initiated on May 1, 2009, Air Canada customers can buy tickets on domestic and transborder flights certain they are paying the lowest available price that day. This not only ensures that customers get the lowest price available but also provides a \$50 travel credit for their next trip should they find a lower fare in the same fare brand and on the same flight within 24 hours of their purchase.

### 5. Air Canada comments on discussions with unions regarding funding of its pension plans

On May 4, 2009, Air Canada said that the Company is in ongoing discussions with its Canadian-based unions to find a funding solution which would allow the airline to maintain its defined benefit pension plans.

### 6. WestJet launches service to and from Yellowknife

WestJet began daily, non-stop, seasonal service between Edmonton and Yellowknife on May 4, 2009.

### 7. WestJet announces April load factor of 81.2 per cent

On May 5, 2009, WestJet announced traffic results for April 2009 - a load factor of 81.2 per cent, revenue passenger miles of 1.191 billion and available seat miles of 1.467 billion. In terms of yearly month to month change, for April 2009, the load factor was down 1.3 points and the revenue seat miles and available seat miles were up 5.5% and 7.1%, compared to April 2008. Sean Durfy, WestJet President and CEO said "Despite these conditions [economic], we are confident in our business model and our organization's ability to continue on our profitable path."

### 8. WestJet pinched by price war

Westjet reported earnings of \$37.4-million, or 29 cents a share for the first quarter of 2009, down from a year-earlier \$52-million, or 40 cents a share. Analysts expected it to report 22.5 cents before exceptional items. The decline was attributed to the weak economy and competition. Sean Durfy, WestJet's chief executive, said that "our margins continued to be among the strongest in North America..."

### 9. WestJet earnings fall, but beat estimates

WestJet Airlines Ltd. said on Tuesday its first-quarter earnings fell 28.7%. The airline

## Current Developments in Brief

### Air Transportation

#### CANADA

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2. Swine flu little impact on WestJet, April 30, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
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10. WestJet launches service to and from Sydney, NS, May 5, 2009, [www.wesjet.ca](http://www.wesjet.ca)
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12. Air Canada Reports April Traffic, May 5, 2009, [www.aircanada.ca](http://www.aircanada.ca)
13. EU, Canada sign deal to open aviation markets, May 6, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
14. EU-Canada Summit marked by aviation agreements, May 5, 2009, [www.europa.eu](http://www.europa.eu)
15. EU Air Agreement "Welcome News" for Travellers, Shippers, and the Aviation/Tourism Employment Sectors, May 8, 2009, [www.cacairports.ca](http://www.cacairports.ca)
16. WestJet downgraded at Raymond James, May 6, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
17. Porter proves stiff competition for Air Canada, WestJet, May 12, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
18. Airline passenger bill of rights narrowly passes crucial vote, May 13, 2009, [www.nationalpost.ca](http://www.nationalpost.ca)
19. Air Transat now offering cargo service, May 14, 2009, [www.ctl.ca](http://www.ctl.ca)
20. WestJet Vacations enhances guest experience with Contac's revolutionary eConcierge(TM) program, May 14, 2009, [www.westjet.com](http://www.westjet.com)
21. BAA to appeal order to sell airports, Globe and Mail, May 18, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
22. Air Canada and Spanair expand service between Canada and Spain, May 19, 2009, [www.aircanada.ca](http://www.aircanada.ca)

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indicated that the weak economy will force it to reduce growth plans for the next quarter and for 2009. Its April 2009 load factor, fell to 81.2% from 82.5% last year after the carrier added 7.7% more capacity while its traffic rose by only 5.5%.

#### 10. WestJet launches service to and from Sydney, NS

On May 5, 2009, WestJet began non-stop, seasonal service (three times a week) between Toronto and Sydney, NS.

#### 11. Government of Canada invests in aviation security

Government officials announced on May 5, 2009 funding in the amount of \$355.8 million to help the Canadian Air Transportation Security Authority (CATSA) to strengthen and improve the efficiency of airport security screening operations and technology. In addition, it will also invest \$2.9 million to support the initiation of airport security plans as a priority this year. The spending is also expected to improve the competitiveness of Canada's airports.

#### 12. Air Canada Reports April Traffic

On May 5, 2009, the combined carriers (Air Canada and Jazz), reported its traffic for April 2009: a load factor of 81.1% (compared to 82.7% for April 2008, 1.6 points lower); revenue passenger miles 3,862 million (4.1% lower); and available seat miles or capacity 4,727 million (2.2% lower). Air Canada statistics for April 2009 were: a load factor of 82.4% (compared to 83.5% for April 2008); revenue passenger miles 3,533 million (3.2% lower); and available seat miles or capacity 4,288 million (1.9% lower). Calin Rovinescu, President and Chief Executive Officer said "We will continue our disciplined approach to capacity management to ensure assets are efficiently deployed..."

#### 13. EU, Canada sign deal to open aviation markets

On May 6, 2009, the European Union and Canada signed an agreement that would open aviation markets to each other and begin free trade negotiations. The aviation deal is the EU's most far-reaching and open aviation pact with a trade partner and is meant to spur trans-Atlantic trade and competition. Under the deal, airlines based in the 27-nation bloc will be able to fly directly to Canada, and Canadian carriers would have similar access rights to points in Europe. Restrictions on routes, prices and the number of flights between the two sides will be removed and limits on investment and foreign ownership in airlines would also be phased out, which eventually could lead to European investors setting up airline operations in Canada.

#### 14. EU-Canada Summit marked by aviation agreements

The EU-Canada agreement will significantly improve both the connections between respective markets and people-to-people links, and will create new opportunities in the airline sector through a gradual liberalisation of foreign ownership rules. It includes a gradual phasing-in of traffic rights, investment opportunities, as well as far reaching cooperation on a number of issues including safety, security, social matters, consumer

interests, environment, air traffic management, state aids and competition. The Agreement may generate consumer benefits of at least € 72 million through lower fares and could create 3,700 jobs already in the first year and is therefore a particularly important signal in the current economic crisis.

#### 15. EU Air Agreement "Welcome News" for Travellers, Shippers, and the Aviation/Tourism Employment Sectors

The Canadian Airports Council hailed this week's completion of a historic air service agreement between Canada and the European Union as "welcome news" for travellers, shippers and those who work in the aviation and tourism sectors. It will make it easier for carriers to commence new services between Canada and anywhere within the European Union. The number of passengers between the EU and Canada has the potential to increase from eight million to 14 million by 2011. In addition, the EC estimated that an Open Aviation Area would generate consumer benefits of at least \$110 million through lower fares and could create 3,700 jobs in the first year.

#### 16. WestJet downgraded at Raymond James

Despite the strong performance of WestJet in the first quarter of 2009, Ben Cherniavsky, Raymond James analyst downgraded the stock of WestJet to a "market perform". Mounting concerns about the macro-related earnings were cited due to weaker demand and dwindling prices. As the stock approached the recommended \$15 a share, some profit taking

23. Air Canada inaugurates the only daily, non-stop service between Calgary and San Diego, CA, May 15, 2009, [www.aircanada.ca](http://www.aircanada.ca)
24. Air France-KLM, Delta seal tie-up deal, May 20, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
25. Air France, Delta say deal to reap \$12-billion annually, May 21, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
26. Air Canada, CAW labour talks start, May 21, 2009, [www.aircanada.com](http://www.aircanada.com)
27. Aeroplan to offer new one-way deal, May 22, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
28. Air Canada 'on the ropes,' WestJet CEO says, May 28, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
29. Demand Decline slows - But No Recovery in Sight, May 27, 2009, [www.iata.org](http://www.iata.org)

#### US/EEC

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6. Fourth-Quarter 2008 System [U.S.] Airline Financial Data: Network Airlines Report Fifth Consecutive Quarterly Loss Margin, May 11, 2009, [www.dot.gov](http://www.dot.gov)
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9. Freight Transportation Services Index (TSI) Fell 3.3 Percent in March from February, May 13, 2009, [www.dot.gov](http://www.dot.gov)
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was recommended. However, for the longer-term, their view remains more positive.

#### **17. Porter proves stiff competition for Air Canada, WestJet**

Porter airlines has grown into a significant competitor to Air Canada and WestJet. It is estimated that since 2007, Porter's seat share on flights between Toronto and Montreal has grown from 12% to 20% and on flights between Toronto and Ottawa from 19% to 24%. The increase in market share has not only been made by fending off WestJet's expansion, but by capturing some of the business travel market of Air Canada, according to an analyst from Versant Partners. These routes still make up a relatively small part of both WestJet's and Air Canada's total network.

#### **18. Airline passenger bill of rights narrowly passes crucial vote**

The private member's bill, put forward by MP Jim Maloway and modelled on the European Union's Airline Passenger Bill of Rights, passed second reading (narrowly) in the House of Commons. The proposed bill will now move to the House of Commons transport committee for further review before it passes to third reading and then to Senate for approval. The bill contains provisions for delay, bumping, total fare disclosure, etc. The penalties proposed are quite severe and the industry warns they are unrealistic.

#### **19. Air Transat now offering cargo service**

Air Transat has decided to get into the air cargo service biz with the creation of Air Transat Cargo. Previously, Air Transat had been offering a cargo service through an outside supplier, but now the company claims to have aspirations to become a large-scale supplier of air cargo service.

#### **20. WestJet Vacations enhances guest experience with Contac's revolutionary eConcierge(TM) program**

WestJet Vacations will become the first Canadian vacation provider to create automatically-generated customized travel websites and booklets for guests who book vacation packages. eConcierge(TM) offers a means for travel suppliers to interact with customers, increase referrals and diversify revenues. It will assist customers in finding and purchasing trip-related products and services post-booking, and serve to build increased guest loyalty to create more targeted communications in the future. Contact will also support suppliers with a complete marketing and customer retention solution that centralizes travel information so that they can spend more time increasing their business.

#### **21. BAA to appeal order to sell airports**

British airports operator BAA PLC is to appeal an order by competition regulators to sell three of its airports, including two in London. It said the appeal is based on two issues: the ruling did not take into account current economic conditions; and the ruling did not consider links between a member of the Competition Commission panel and an organization interested in acquiring the airports that BAA is required to sell. The Competition Commission said it would defend its case.

#### **22. Air Canada and Spanair expand service between Canada and Spain**

Air Canada and fellow Star Alliance partner Spanair announced on May 19, 2009 that they have entered a codeshare agreement that expands their networks between popular business and leisure destinations in Canada and Spain. This follows the re-introduction on May 1, 2009 by Air Canada of non-stop flights between Toronto and Madrid, the only scheduled service between Canada and Spain.

#### **23. Air Canada inaugurates the only daily, non-stop service between Calgary and San Diego, CA**

On May 15, 2009, Air Canada flight AC 8307 marked the launch of new daily, non-stop service between Calgary and San Diego, CA.

#### **24. Air France-KLM, Delta seal tie-up deal**

The new Air France-KLM and Delta Air Lines trans-Atlantic joint venture will earn an estimated annual sales of \$12-billion (U.S.) from more than 200 jointly operated flights (50,000 seats) each day — about a quarter of all capacity on the routes. On trans-Atlantic routes the companies will operate as a single business, by coordinating operations and sharing revenues and costs. The airlines will also cooperate on routes between North America and Africa, the Middle East and India, as well as on flights between Europe and several countries in Latin America. The cooperation agreement is between Europe's largest airline and the world's largest airline operator.

#### **25. Air France, Delta say deal to reap \$12-billion annually**

Delta Air Lines Inc. and Air France-KLM signed a deal on May 20, 2009 to combine two separate joint venture agreements into one and to create a more integrated transatlantic powerhouse that is expected to generate \$12-billion (U.S.) in annual revenue and provide better travel options for customers. Passengers get more non-stop flights between cities in the U.S. and Europe, while competition and a weak economy mean fares won't rise. KLM signed a joint venture agreement with Northwest Airlines in 1997, while Air France and Delta signed an agreement in 2007. Following Atlanta-based Delta's acquisition of Northwest in October, 2008, the carriers decided to work on forming a single joint venture. The deal means

the airlines will share cost and revenues on certain flights regardless of what airline owns or flies the aircraft.

#### **26. Air Canada, CAW labour talks start**

Air Canada's chief executive officer, has made another appeal to the airline's unions to support an immediate moratorium on its pension obligations before he takes the plan to Ottawa. Air Canada's pension solvency deficit grew to about \$2.9-billion last year, up from \$1.2-billion in the previous year. This means the carrier requires \$650-million in funding requirements. It is appealing to Ottawa for relief measures that could potentially reduce its funding requirements. It will also need a moratorium on its pension obligations. Whether it gets approval from Ottawa depends on union support and prospects do not look good. At the same time, any labour disruption will not help the fragile state of the air carrier.

#### **27. Aeroplan to offer new one-way deal**

Groupe Aeroplan Inc. has unveiled a pilot project that allows members to redeem a fixed number of points to obtain one-way flights on Air Canada, instead of being forced to make round-trip bookings. Thus fliers could use points to go on a flight oneway and buy a ticket for the return trip. WestJet is expected to launch its own frequent flier plan at the end of 2009, but Air Canada is confident that Aeroplan's 25-year head start provides it a competitive edge.

#### **28. Air Canada 'on the ropes,' WestJet CEO says**

On May 28, 2009, WestJet Airlines Ltd.'s CEO said that his Calgary-based carrier wants to add 18 new destinations in the United States and the Caribbean over the next four years closing the gap with his larger rival. He felt that Air Canada is a "desperate competitor" in the market place and its financial picture does not look good.

#### **29. Demand Decline slows - But No Recovery in Sight**

The International Air Transport Association (IATA) international traffic data for April 2009 showed a 3.1% decline in passenger demand and a 21.7% fall in cargo demand compared to April 2008. The average passenger load factor stood at 74.4%. The passenger demand was an improvement over March 2009 suggesting that the worst was over despite the fall in cargo which continued in the 20%+ range.

## **WATER TRANSPORTATION**

### **1. Great Lakes Expectation**

The possibility of shipping containers into the Great Lakes to avoid congestion at ports is being expected in the near future and as a result shortsea shipping could increase. This is also partly due to investment and cost effectiveness of using shortsea shipping. Despite its shortcomings such as the Seaway being closed in the winter, it still provides an alternative to shipping from the West coast.

### **2. Vancouver Truck Dispute Ends**

Container truck drivers (about 140) at Port Metro Vancouver reached an agreement that will avoid a threatened strike. The dispute was about fees to be paid for moving containers between the port and off-dock storage sites.

### **3. Prince Rupert Tonnage Falls 24.5 Percent**

Cargo tonnage at the Port of Prince Rupert dropped 25.4 percent in the first quarter of 2009. However, container traffic nearly doubled (95.1%) over the first three months of last year.

### **4. Port of Prince Rupert - 2008 Performance Report by Terminal**

In the first full year of container operation at the Port of Prince Rupert container traffic was 181, 890 TEUs. Since container operations (Fairview Terminal) only began in November 2007, the entire year over year change indicated a 988.9% increase. Total tonnage at all terminals was 10.6 million a 2.2% increase over 2007. The number of cruise passengers was 103, 635, a 5.6% increase over 2007.

### **5. Port of Prince Rupert - Terminals**

The three major port terminals of Prince Rupert recorded the following first quarterly year over year results. Fairview Terminals - 413, 810 tonnes (+96.7%); Prince Rupert Grain - 1, 266, 263 tonnes (-.003%); and Ridley Terminals Inc. - 639, 765 tonnes (-61%).

### **6. Cumulative containerized traffic summary First Quarter 2009 - Port of Montreal**

Cumulative containerized traffic (TEUs) at the Port of Montreal for the first quarter of 2009 declined 9.7% compared to the same period a year earlier. Inbound traffic (TEUs) declined 6.6% and outbound traffic declined 12.3%. In terms of metric tonnes in containers the decline was even steeper 15.3%.

### **7. Cumulative traffic summary First Quarter 2009 - Port of Montreal**

Cumulative traffic (metric tonnes) at the Port of Montreal for the first quarter of 2009 compared to the same period a year earlier was down 14.1%. General cargo declined 15.3% and bulk cargo dropped 14.1%. Total inbound traffic (metric tonnes) declined 15.3% and total outbound traffic declined 12.7%.

### **8. Federal government moves toward modernizing Navigable Waters Protection Act**

On May 8, 2009, Canada's Transport Minister, announced modernization of the *Navigable Waters Protection Act* (NWPA).

## **Water Transportation**

### **Canada**

1. Great Lakes Expectation, *The Journal of Commerce*, March 30, 2009, pp. 20-21.
2. Vancouver Truck Dispute Ends, May 4, 2009, [www.joc.com](http://www.joc.com)
3. Prince Rupert Tonnage Falls 24.5 Percent, May 4, 2009, [www.joc.com](http://www.joc.com)
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8. Federal government moves toward modernizing *Navigable Waters Protection Act*, May 8, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
9. Busy Weekend at Port Metro Vancouver Cruise Ship Terminals, May 11, 2009, [www.portvancouver.com](http://www.portvancouver.com)
10. New Study finds \$1.5billion in port related economic activity, May 12, 2009, [www.portofhalifax.ca](http://www.portofhalifax.ca)
11. Accumulated containerized traffic report YTD April 2009 - Port Metro Vancouver, May 13, 2009, [www.portvancouver.ca](http://www.portvancouver.ca)

It sets out criteria for determining classes of minor works and minor waterways under the *Navigable Waters Protection Act* (NWP A). This will enable one to segregate works that have no impact from major works.

#### **9. Busy Weekend at Port Metro Vancouver Cruise Ship Terminals**

The beginning of the cruise season is having an effect. 26,000 passengers on 7 cruise ships arrived at its two cruise terminals, Canada Place and Ballantyne in Vancouver on May 8 and 9, 2009 making it a busy weekend for port officials.

#### **10. New Study finds \$1.5 billion in port related economic activity**

The Halifax Port Authority released the results of a study on May 12, 2009 on the economic impact of the Port of Halifax and port-related industries such as trucking and rail. The research findings reveal that the Port and its diverse areas of business are a major contributor to the local economy with over \$1.5 billion in total impact annually. The direct and spin-off (indirect and induced) impacts of port-related activities include \$1.58 billion in gross output, \$671 million in Gross Domestic Product (GDP) and 11,190 full-time equivalent (FTE) jobs. Wages and salaries resulting from port activity were \$504.7 million.

#### **11. Accumulated containerized traffic report YTD April 2009 - 11. Port Metro Vancouver**

Accumulated containerized traffic (TEUs) at the Port Metro Vancouver till the end of April 2009 was down 16% compared to the same month a year earlier. Inbound traffic or imports (TEUs) declined 19% and outbound traffic or exports declined 13%.

#### **12. Seven Month Long Cruise Season Kicks off on May 15th with Arrival of ms Maasdam**

May 14, 2009 marked the start of the annual cruise season at the Port of Halifax that will continue to November 5, 2009. Eighteen cruise lines will call the Port of Halifax during the next 7 months making for a busy cruise season. Besides the usual cruise lines two new lines will call the Port this year.

#### **13. Michel M. Lessard appointed Chairman of the Board of Directors**

Michel M. Lessard has been appointed as the Chairman of the Board of Directors of the Port of Montreal.

#### **14. Battle brews as MPs oppose sale of British Columbia coal terminal**

Private companies are expected to bid for Ridley Terminals. A \$131 million offer is one of the four known offers. There has been opposition from government MPs to the privatization of Ridley Terminals as it could subsequently result in higher fees to the coal-mining firms in northeastern B.C. that use the terminal. In 2005, the Liberal government decided to sell the terminal to an Ontario firm for \$3 million far less than the \$400 million it had sunk into it. However, the Conservative government decided to cancel the deal. There continues to be strong support for keeping the terminal as a Crown corporation.

#### **15. Baird to create Oshawa port authority**

On May 21, 2009, Canada's Transport Minister, John Baird, announced his intention to create a Canada Port Authority (CPA) to operate the Port of Oshawa.

#### **16. Port of Prince Rupert Total Tonnage Drops 24.5 per cent**

Tonnage throughput at the Port of Prince Rupert was down 24.5 percent for the first quarter 2009 compared to the first quarter 2008, from 3.07 million to 2.3 million tonnes. The main contributor to the decline was coal shipments through Ridley Terminals. All other traffic sectors at the Port of Prince Rupert showed positive performance levels when compared to the same period last year. Container tonnage throughput nearly doubled.

#### **17. Canada signs international ship recycling convention**

Canada's Transport Minister, John Baird, announced on May 27, 2009 that the Government of Canada has signed the International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009. Canada and 58 other members of the International Maritime Organization (IMO) adopted the Convention. The ship recycling Convention will protect workers and the environment by setting international rules to manage hazardous materials in ships over their operating lives and a clear legal means to manage ships at the end of their lives.

#### **18. Q1 2009 Summary of Cargo & Cruise Activity**

Container volumes at Halifax declined 29.9% for the first quarter of 2009, compared to the same period in 2008. Total throughput for the first quarter of 2009 was 70,347 TEUs. The decrease in cargo throughput appears to be less severe as compared to the fourth quarter 2008. Total metric tonnes shipped (breakbulk, bulk, containerized and ro-ro) increased by 0.4%. While there was no cruise activity in the first quarter of 2009, 2008 was a record year for cruise activity with a 35% increase in cruise ship calls.

12. Seven Month Long Cruise Season Kicks off on May 15th with Arrival of ms Maasdam, May 14, 2009, [www.portofhalifax.ca](http://www.portofhalifax.ca)
13. Michel M. Lessard appointed Chairman of the Board of Directors, Port of Montreal, [www.portofmontreal.ca](http://www.portofmontreal.ca)
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#### **US**

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2. Member State joint call for proposals for Motorways of the sea projects in the East-Mediterranean Sea area (second call for proposals), May 7, 2009, [www.europa.eu](http://www.europa.eu)
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## RAIL TRANSPORTATION

### Canada

#### 1. CP Rail eyes link to access U.S. South

Canadian Pacific Railway Ltd. is discussing a new partnership with Kansas City Southern Railway Co. aimed at granting the railways access to each other's lines. For CP, this would create a more direct route to the Gulf of Mexico in exchange for greater access to Chicago along its own network. It was made possible by CP's acquisition of DM&E. Such agreements are essentially alliances between the railways allowing each to run freight on each others lines, while preserving the shippers' competitive options. They have become a popular alternative to mergers and acquisitions in the heavily regulated rail sector. This will enable it to match Canadian National Railway Co., deal with Norfolk Southern Corp. to create its so-called "MidAmerica Corridor," in which each railway shares each other's lines between Chicago, St. Louis, Kentucky, and Mississippi.

#### 2. Agreements now cover more than 50 per cent of population along EJ&E in Illinois and Indiana

CN announced on May 4, 2009 a voluntary mitigation agreement with the City of Elgin, Ill., addressing the municipality's issues with CN's acquisition of the principal lines of the former Elgin, Joliet and Eastern Railway Company (EJ&E).

#### 3. Government of Canada announces security enhancements at Windsor-Detroit Secure Rail Corridor

Canada's Transport and Infrastructure Minister, announced on May 6, 2009 that as a result of collaboration by the governments of Canada and the United States, as well as Canadian Pacific (CP), rail cargo security at North America's busiest commercial border crossing has been further enhanced by a joint investment of \$8 million to secure a 7.5-km stretch of the CP rail corridor.

#### 4. Manitoba chips in to salvage rail link

A short-line freight railway line in southern Manitoba, the Boundary Trails Railway Company, will receive \$615,000 to establish the short-line freight railway between Manitou and Morden. The Minister of Agriculture, Food and Rural Initiatives said "maintaining this short-line railway will help support shipments of grain and other commodities in the area."

#### 5. U.S. railroads, insurance sectors worthy of attention: BCA

A new BCA Research note said investors in the U.S. market should keep an eye out for opportunities in the railroad. BCA appears to be impressed by a surge in Chinese

money growth leading to an increase in rail shipments of commodity products, but recognizes that a collapse in pricing power has "severely dented profitability." There is concern that the economy is at best only decelerating at a slower rate, and not yet expanding. As a result, the firm appears to be neutral on rail.

#### 6. Ontario Merging GO Transit and Metrolinx

GO Transit and Metrolinx are being merged to build transit faster, ease congestion, create jobs and build a stronger economy. The Act *Greater Toronto and Hamilton Area Transit Implementation Act, 2009*, passed third reading giving this effect.

#### 7. Canadian Pacific Announces Cash Tender Offer for up to US\$450 Million Aggregate Principal Amount of Certain of Its Outstanding Notes

Canadian Pacific Railway Limited announced on May 12, 2009 that its wholly-owned subsidiary, Canadian Pacific Railway Company, is commencing an offer to purchase for cash up to US\$450 million aggregate principal amount of certain dated outstanding notes.

#### 8. Grade crossings to be safer with Government of Canada investment

On May 12, 2009, the Honourable Rob Merrifield, Minister of State (Transport) announced that the Government of Canada will provide \$7.1 million in new funding for the Grade Crossing Improvement Program (GCIP) this year. In addition, the Economic Action Plan provides \$28 million over the next five years to further enhance grade crossings.

#### 9. CN Curbs Delays on EJ&E Line

One of the reasons for Canadian National Railway (CN) acquisition of Elgin was to cut the number of long delays at road crossings caused by train operations. CN told the Surface Transportation Board (STB), in its second monthly report, that delays to road traffic of 10 minutes or longer fell to just 14 incidents in April 2009 from 50 in March 2009. CN is required to submit special reports to the STB as part of its purchase deal.

#### 10. CN and Sault Ste. Marie Economic Development Corp. announce fleet acquisition for Agawa Canyon Tour Train

### Rail Transportation

#### Canada

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2. Agreements now cover more than 50 per cent of population along EJ&E in Illinois and Indiana, May 4, 2009, [www.cn.ca](http://www.cn.ca)
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4. Manitoba chips in to salvage rail link, May 8, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
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8. Grade crossings to be safer with Government of Canada investment, May 12, 2009, [www.tc.gc.ca](http://www.tc.gc.ca)
9. CN Curbs Delays on EJ&E Line, May 14, 2009, [www.joc.com](http://www.joc.com)
10. CN and Sault Ste. Marie Economic Development Corp. announce fleet acquisition for Agawa Canyon Tour Train, May 15, 2009, [www.cn.ca](http://www.cn.ca)
11. Study: Rails Overcharge Consumers by \$3 Billion, May 19, 2009, [www.joc.com](http://www.joc.com)
12. Rail Bill Nears Senate Vote, May 19, 2009, [www.joc.com](http://www.joc.com)
13. Rail Shippers' Lobby Geared Up, May 20, 2009, [www.joc.com](http://www.joc.com)

#### US

1. Rail Traffic Fell Sharply in April, May 6, 2009, [www.joc.com](http://www.joc.com)
2. [US] Rail Traffic Hits Year's Low, May 21, 2009, [www.joc.com](http://www.joc.com)

CN and the Sault Ste. Marie Economic Development Corp. announced on May 15, 2009 an agreement to acquire locomotives and passenger cars to re-equip the Agawa Canyon Tour Train that runs north of the Sault into Canadian Shield country. The re-equipped train will accommodate more than 900 people. CN and the Northern Ontario Heritage Fund Corporation are jointly funding the \$10-million fleet renewal project.

#### **11. Study: Rails Overcharge Consumers by \$3 Billion**

A study released May 19, 2009 by the Consumer Federation of America claims US railroads overcharge consumers \$3 billion a year as a result of monopoly pricing power. Many rail customers have access to just one railroad and are, therefore, 'captive' to that railroad," the study said. "This enables the railroads to set prices well above costs.

#### **12. Rail Bill Nears Senate Vote**

A bill to strip railroads of a limited antitrust immunity could move to the US Senate floor for a vote after May 29, 2009. The bill would give the Justice Department and Federal Trade Commission a role reviewing proposed mergers for anticompetitive issues, instead of leaving them as now solely under the STB's jurisdiction. It would also tell district courts that they do not have to give the STB primary jurisdiction over rail-shipper service or rate disputes. It would also attack bottleneck issues, in which shippers say the railroads can prevent customers from getting competitive bids from other carriers for part of the trip.

#### **13. Rail Shippers' Lobby Geared Up**

An activist rail shippers' lobbying group says that June could be a key time for Congress to act on rail antitrust legislation. First, there is a bill that deals with railroad antitrust enforcement, second there is also a bill that redirects the Surface Transportation Board on how it regulates rail competition issues of service and rate-setting. The rail industry opposes the antitrust enforcement bill and is urging Congress to develop an overall rail policy rather than legislate measures separately. A representative for rail equity says that shippers need three things: removal of railroads' antitrust protections, plus "legislation that corrects the misapplication of deregulation" by the STB and its predecessor agency, and "an enhanced STB going forward so this issue doesn't have to go back to Congress periodically."

### **HIGHWAY TRANSPORTATION**

#### **1. February 2009 Surface Trade with Canada and Mexico Fell 30.9 Percent from February 2008**

According to the US Bureau of Transportation Statistics, trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 30.9 percent lower in February 2009 than in February 2008, dropping to \$47.9 billion, the biggest year-to-year percentage decline on record and the fourth monthly decline in excess of 13%. U.S.-Canada surface transportation trade totalled \$29.8 billion in February, down 33.8 percent compared to February 2008. The value of imports carried by truck was 32.0 percent lower in February 2009 compared to February 2008, while the value of exports carried by truck was 28.1 percent lower during this period.

#### **2. Ontario Helps Green Commercial Fleets**

Ontario is encouraging companies (under a four year \$15 million *Green Commercial Vehicle Program*) to switch to greener commercial vehicles and technologies that will help improve fuel efficiency and reduce green house gas emissions.

#### **3. Nova Scotia infrastructure gets federal boost**

The federal government has pledged a little more than \$200 million in infrastructure projects in Nova Scotia. Additional funding could bring the total to \$422 million. Most of the funding is expected to go to the highway system.

#### **4. High Demand for Taxis Predicted in Vancouver on May 8 and 9**

Ship cruises bring with it increased demand for taxis. With the arrival of cruise ships on May 8 and 9, 2009, Vancouver port officials met with local taxis companies to plan for the increased demand. The increased demand is due to the large number of independent travellers aboard cruise ships scheduled to arrive in Vancouver for repositioning cruises. Vancouver is Canada's largest cruise port, contributing \$1.5 billion annually to the Canadian economy. Each cruise ship that docks in Vancouver contributes approximately \$2 million to the local economy.

#### **5. Transport minister backs new Windsor-Detroit bridge**

The Minister of Transport speaking at the International Multimodal Conference in Windsor affirmed Ottawa's commitment to move the new Windsor-Detroit bridge "forward quickly". Regarding the proposal to build the Ambassador's twin span, he indicated that it does not work to the community's best interest.

#### **6. Top Canadian carriers' revenue, expenses steady in Q4**

#### **Highway Transportation Canada**

1. February 2009 Surface Trade with Canada and Mexico Fell 30.9 Percent from February 2008, April 30, 2009, [www.bts.gov](http://www.bts.gov)
2. Ontario Helps Green Commercial Fleets, May 1, 2009, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
3. Nova Scotia infrastructure gets federal boost, May 5, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
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7. Transport & logistics mergers on downward trend: report, March 19, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
8. Cell ban coverage reaches western Canada, May 22, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
9. Michigan officials urge Obama to fund new bridge to Canada, May 22, 2009, [www.todaystrucking.com](http://www.todaystrucking.com)
10. CTA urges government to encourage use of green technologies, May 27, 2009, [www.ctl.ca](http://www.ctl.ca)
11. North American Surface Trade Numbers for March, May 28, 2009, [www.dot.com](http://www.dot.com)

#### **US**

1. USPS Loses \$1.9 Billion, May 6, 2009, [www.joc.com](http://www.joc.com)
2. President's Budget Recommends \$1.83 Billion for Transit Construction, Including 10 New Projects Across the Nation, May 8, 2009, [www.dot.gov](http://www.dot.gov)

The top for-hire carriers' operating revenue and expenses in Canada remained practically unchanged in the fourth quarter compared to the previous year, according to a recent report from Statistics Canada. The 97 Canadian-based trucking companies (each earning \$25 million or more annually) generated operating revenue of \$2.6 billion and operating expenses of \$2.4 billion in the fourth quarter of 2008. The operating ratio remained unchanged at 0.95.

#### **7. Transport & logistics mergers on downward trend: report**

Global merger transportation and logistics sector has dropped significantly recently, according to a report by Price Waterhouse. Eighteen large merger and acquisition deals were announced in the first quarter of 2009 compared to 43 in the fourth quarter 2008. The average value involved in the mergers also declined.

#### **8. Cell ban coverage reaches western Canada**

The prohibition in the use of hand-held cell phones has now spread to the Western provinces. Strathcona county has issued a bylaw to ban the use of hand-held cell phones by anyone driving on roads controlled by the county. This follows the footsteps of a few eastern jurisdictions in Canada – Newfoundland and Labrador, Nova Scotia, Quebec and Ontario.

#### **9. Michigan officials urge Obama to fund new bridge to Canada**

A letter addressed to US Transport Secretary Ray LaHood by eight Michigan officials urged the Obama Administration to support and prioritize federal funding for the Detroit River International Crossing (DRIC). The project could create up to 10,000 construction jobs, not including jobs "available from the Canadian segment of the project." The letter comes just days after the owner of the privately owned Ambassador Bridge launched a lawsuit to halt DRIC.

#### **10. CTA urges government to encourage use of green technologies**

The Canadian Trucking Association (CTA) told the federal government that Canada's weights and dimensions laws should be revisited to allow for greenhouse gas-reducing technologies (i.e., SmartWay-approved technologies such as low rolling resistance tires and aerodynamic components). If revisions to the law are not made, Canadian trucks could be barred from operating into and out of California which accounts for \$37 billion in two-way trade with Canada, as California's stringent emissions rules for heavy-duty trucks go into effect in 2010.

#### **11. North American Surface Trade Numbers for March**

According to the US Bureau of Transportation Statistics (BTS), trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 27.9 percent lower in March 2009 than in March 2008, dropping to \$51.1 billion. U.S.-Canada surface transportation trade totalled \$31.0 billion in March 2009, down 34.2 percent compared to March 2008. The value of imports carried by truck was 26.8 percent lower in March 2009.

### **GENERAL**

#### **1. Government of Canada releases report on Canada Post Corporation**

An independent review on Canada Post Corporation that began in 2008 was recently completed and the government released a report on April 30, 2009. The Advisory Panel became concerned that: Canada Post's financial sustainability is uncertain at best; Canada Post's plants and facilities are in urgent need of upgrading and modernization; Canada Post's core responsibilities and the government's concrete postal expectations is misunderstood and misconceived; and Canada Post management need clarification and must be better understood by all involved. It therefore made a number of recommendations to maintain its financial viability and postal service (universal postal obligations and rural service). It also made recommendation to clarify the governance environment.

#### **2. U.S.-Canada Trade Falls**

Statistics Canada reported that Canadian exports to the United States decreased 4.1 percent in March 2009 while imports decreased 4.7 percent. Canada's trade surplus with the U.S. remained at \$3.1 billion in March, as it was in February. Canada's volume of trade with the rest of the world declined in March, imports more than

exports. This has impacted Canada's largest custom brokerage, Livingston International, resulting in a loss of \$15 million for the first quarter of 2009.

#### **3. Government of Canada helps Calgary workers go green**

On May 21, 2009, the Government of Canada will partner with the City of Calgary, Calgary Economic Development and the Calgary Regional Partnership to support a new telework initiative, "WORKshift – Think Outside the Office."

### **General**

#### **Canada**

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4. International travel account, May 28, 2009, [www.statcan.ca](http://www.statcan.ca)

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WORKshift will receive a contribution of up to \$800,000 under Transport Canada's ecoMOBILITY program. The initiative will develop a plan that supports telework programs throughout the Greater Calgary area by raising public awareness of the benefits of teleworking, and providing businesses with specific guidance and support in planning, designing and implementing telework programs.

**4. International travel account** [First Quarter 2009 - Preliminary]

Canada's international travel deficit was about \$2.9 billion in the first quarter of 2009, its lowest level since the third quarter of 2007 and \$76 million lower than that of the fourth quarter of 2008. While spending by Canadians abroad declined, the decline of spending by foreigners in Canada was even greater but due to the larger amount of the former, the combined deficit declined.

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