

# Transportation Information Update\*

Editor: Joseph Monteiro\*\*

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Associate Editor: Gerald Robertson\*\*

## AIR TRANSPORTATION

### 1. WestJet expands self-service options with baggage tagging tools

Westjet expands self-service options with baggage tagging tools as part of its self-service options. It allows Westjet guests to use mobile, web, or kiosk to check-in for their flight and enables them to print their own baggage tags. They may also print their own boarding cards and leave their baggage at appropriate places.

### 2. WestJet reports a 19 percent increase June traffic

Westjet reported its June 2010 load factor on July 6, 2010, an increase of 5.3 points over June 2009. Revenue passenger miles increased 19 percent year over year and available seat miles increased 10.9 percent over the same period. Westjet President and CEO, Greg Saretsky said "As always, our strong results and continued growth are the direct result of the caring and dedicated work of our 7,600 Westjetters across our network."

### 3. Air Canada reports record load factor for June

For June 2010, Air Canada reported a system load factor of 84.7 per cent on a consolidated basis with Jazz, versus 80.9 per cent in May 2009, an increase of 3.8 percentage points. System traffic increased 15 per cent while system wide capacity increased 9.9 per cent. Calin Rovinescu, President and Chief Executive Officer said "I am pleased to report these strong results as we continue to deploy capacity effectively by increasing utilization of our existing fleet. This spring, Air Canada introduced new transborder routes with daily service between Toronto and seven U.S. cities. ..."

### 4. Air Canada raised to 'buy,' shares jump

Air Canada's shares were up more than 4% in early morning trading on July 7, 2010 to \$1.73 a share on the Toronto Stock Exchange. An analyst for Versant Partners raised his price target to \$4 from \$3. He did caution, however, that "an investment in Air Canada remains a higher risk proposition." The analyst also raised his price target on WestJet Airlines Ltd. after its strong June traffic results to \$17.85 a share, from \$16.25 previously.

### 5. WestJet adds New Orleans, Grand Cayman and Santa Clara, Cuba

WestJet unveiled its Winter schedule for 2010. It will add three more destinations (New Orleans, Grand Cayman and Santa Clara, Cuba), 10 new routes and expanded service on more than 30 others.

### 6. Cost Structure - Irreconcilable Differences?

International Air Transport Association indicates that a study by Charles Tyler compares the cost structures of network airlines and low-cost carriers and it finds that they may not be as different as they once were. Once, low-cost carriers (LCCs) looked set to become the dominant force in aviation. It is still believed by many to be true today. But the response of legacy airlines is no longer as muted as it was—and LCCs are not as low cost as they once were.

### 7. EU clears BA, American, Iberia alliance

British Airways, American Airlines and Iberia won EU antitrust clearance on July 14, 2010 to deepen their Oneworld alliance on trans-Atlantic routes and better compete with rival groups. The European Commission, also cleared a British Airways' merger with Spain's Iberia. The US Department of Transport granted the three airlines immunity in February 2010. Star Alliance (which includes Lufthansa and United Airlines, and SkyTeam, with members Air France and Delta) has already been granted U.S. antitrust immunity. The clearance will enable the carriers to take full advantage of the open skies agreement between US and the EU.

## Current Developments in Brief

### Air Transportation

#### CANADA

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2. WestJet reports a 19 percent increase June traffic, July 6, 2010, [www.westjet.ca](http://www.westjet.ca)
3. Air Canada reports record load factor for June, July, 2010, [www.aircanada.ca](http://www.aircanada.ca)
4. Air Canada raised to 'buy,' shares jump, July 8, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
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6. Cost Structure - Irreconcilable Differences?, July 13, 2010, [www.iata.org](http://www.iata.org)
7. EU clears BA, American, Iberia alliance, July 14, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
8. Newsbrief: Cargo Liability Limits Standardized - Major Step Forward to Simplify Air Cargo, July 14, 2010, [www.iata.org](http://www.iata.org)
9. Antitrust: British Airways, American Airlines and Iberia commitments to ensure competition on transatlantic passenger air transport markets made legally binding, July 14, 2010, [www.europa.eu](http://www.europa.eu)
10. Air Canada adding service to New Orleans in ongoing expansion of transborder flying from Toronto hub, July 14, 2010, [www.westjet.ca](http://www.westjet.ca)
11. Aircraft movement statistics: Small airports, July 15, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
12. Kevin Libin: Edmonton airport fight takes off, July 16, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
13. Air Canada announces second quarter preliminary results and updated full year 2010 guidance, July 20, 2010, [www.aircanada.ca](http://www.aircanada.ca)
14. Air Canada announces proposed private offering of senior secured notes, July 20, 2010, [www.aircanada.ca](http://www.aircanada.ca)
15. Air Canada plans \$900-million private offering to repay credit facility, July 20, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
16. Porter CEO sues Air Canada over personal privileges, July 20, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
17. DOT Approves oneworld Antitrust

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## 8. Newsbrief: Cargo Liability Limits Standardized - Major Step Forward to Simplify Air Cargo

The International Air Transport Association (IATA) announced the standardization of cargo liability limits. With regulatory approval, it will take effect from 1 July 2010. The Air Waybill (AWB) Conditions of Contract (IATA Resolution 600b) have been changed to harmonize the application of the Montreal Convention liability limit for all air cargo across all routes.

## 9. Antitrust: British Airways [BA], American Airlines [AA] and Iberia [IB] commitments to ensure competition on transatlantic passenger air transport markets made legally binding

The EEC's concerns with the alliance (BA, AA and IB) focussed on likely consumer harm on six transatlantic routes, namely London-Dallas, London-Boston, London-Miami, London-Chicago, London-New York and Madrid-Miami. The most notable barriers to entry were the lack of peak-time slots at London Heathrow airport. The commitments proposed by the parties are primarily aimed at enabling competing airlines to start operating or increase their services on the affected routes by lowering barriers to entry. Concretely, the parties offered to make available landing and take-off slots at London Heathrow or London Gatwick airports, at the entrant's choice, on routes to Boston, New York, Dallas and Miami. The number of slots will allow one or more competitors to operate a total of 49 more return flights a week between London and the four affected destinations in the US. In addition, BA, AA and IB undertake to provide access to their frequent flyer programmes on the relevant routes.

## 10. Air Canada adding service to New Orleans in ongoing expansion of transborder flying from Toronto hub

Air Canada announced on July 14, 2010 that it will begin daily, non-stop service between Toronto and New Orleans starting October 30, 2010. The new route will be operated with a 75-seat, Jazz CRJ 705 aircraft featuring Executive and Economy class service and seatback, personal audio-visual entertainment throughout the aircraft. This is the eighth transborder destination added in 2010 by Air Canada.

## 11. Aircraft movement statistics: Small airports

The number of take-offs and landings at the 133 airports without air traffic control towers reached 59,171 movements in April 2010. Year-over-year increases were reported by 75 of these airports.

## 12. Kevin Libin: Edmonton airport fight takes off

The fight whether to keep Edmonton municipal airport (i.e. its downtown airport) has erupted once again. The mayor wants it closed down but others want to retain it as they claim it generates \$1 billion spin-off to the city. But the mayor feels that the city does not want two airports and the airport occupies valuable downtown real estate.

## 13. Air Canada announces second quarter preliminary results and updated full year 2010 guidance

The Company estimates that its system capacity, as measured by available seat miles (ASMs), in the second quarter of 2010 was 5.3 per cent higher than the second quarter of 2009. The Company estimates that its unit cost, as measured by expense per available seat miles (CASM), in the second quarter of 2010, excluding fuel, decreased approximately 4.2 per cent compared to the second quarter of 2009. Air Canada estimates that its revenue per available seat mile (RASM) in the second quarter of 2010, on a system-wide basis, increased by approximately 6.6 per cent as compared to the second quarter of 2009. The Company estimates that its earnings before interest, taxes, depreciation, amortization and aircraft rent (EBITDAR) for the second quarter of 2010 was in the range of \$320 million to \$340 million, significantly above the \$135 million realized in the second quarter of 2009. The company also estimates that its operating income for the second quarter of 2010 was in the range of \$60 million to \$80 million and that its ownership costs, comprised of depreciation and amortization and aircraft rent expense, was approximately \$260 million.

## 14. Air Canada announces proposed private offering of senior secured notes

On July 20, 2010, Air Canada announced that it is planning, a private offering of US\$900 million in secured notes due 2015. Air Canada intends to use the net proceeds for the repayment of all indebtedness under Air Canada's secured term credit facility and general corporate purposes.

## 15. Air Canada plans \$900-million private offering to repay credit facility

Immunity Application, July 20, 2010, [www.dot.gov](http://www.dot.gov)

18. Government of Canada invests in Prince Rupert Airport upgrades, July 20, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)

19. UPS Sees 'Ocean Squeeze' Pushing Shippers to Air, July 23, 2010, [www.joc.com](http://www.joc.com)

20. Aircraft movement statistics: Major airports, July 27, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)

21. Aviation primed for takeoff, July 26, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)

22. EU clears world's biggest airline merger, July 27, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)

23. Government of Canada invests in Bathurst Airport upgrades, July 27, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)

24. Air Canada announces acceptance of proposal for credit card processing services, July 27, 2010, [www.aircanada.ca](http://www.aircanada.ca)

25. Scheduled air passenger origin and destination: Canada-United States [2009], July 28, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)

26. Demand Continues Recovery in June, July 28, 2010, [www.iata.org](http://www.iata.org)

27. AA Pays \$5 Million to Settle Cargo Price-Fixing Suit, April 30, 2010, [www.joc.com](http://www.joc.com)

## US

1. Hong Kong Airport Sets Freight Record [overall tonnage jumps 41.9% in May 2010], July 6, 2010, [www.joc.com](http://www.joc.com)

2. Lufthansa Cargo Traffic Jumps 19.5 Percent, July 9, 2010, [www.joc.com](http://www.joc.com)

3. April 2010 [US] Airline Traffic Data: System Traffic Up 0.2 Percent from April 2009, July 15, 2010, [www.dot.gov](http://www.dot.gov)

4. News Brief: IATA e-freight Goes Live In US Domestic Market, July 20, 2010, [www.iata.org](http://www.iata.org)

5. May 2010 Passenger Airline Employment Down 2.7 Percent from May 2009, July 20, 2010, [www.dot.gov](http://www.dot.gov)

6. Cargo Revenue Jumps at Top Three US Airlines, July 21, 2010, [www.joc.com](http://www.joc.com)

1. 1st-Quarter 2010 Air Fare Data: Average 1st-Quarter Domestic Air Fares Increased 4.7% from 1st Quarter 2009; Top 100 Airports: Highest Fare in Huntsville, Lowest Fare in Atlantic City, July 28, 2010, [www.dot.gov](http://www.dot.gov)

Shares in Air Canada were up more than 14% after the company announced it plans to refinance \$900-million of its debt and released stronger-than-expected preliminary second-quarter results.

#### **16. Porter CEO sues Air Canada over personal privileges**

When Robert Deluce, CEO of Porter Airlines, sold Air Ontario and Austin Airways to Air Canada, part of the deal was to permit Mr. Deluce and his wife to fly first class unlimited on Air Canada. In the fall of 2009, Air Canada cut off the privileges, so Mr. Deluce is suing Air Canada for \$5 million or has proposed other settlements.

#### **17. DOT Approves oneworld Antitrust Immunity Application**

On July 20, 2010, the U.S. Department of Transportation [DOT] granted antitrust immunity to American Airlines and four international partners in “oneworld” to form an integrated global alliance, but also imposed several conditions that will protect consumers and preserve competition. American and its oneworld alliance partners British Airways, Iberia Airlines, Finnair and Royal Jordanian Airlines will be able to more closely coordinate international services. DOT found that granting antitrust immunity to the oneworld alliance will provide travelers and shippers with a variety of benefits, including lower fares in some markets, new nonstop routes, improved services and better schedules. DOT also said that the alliance will enhance competition around the world by enabling the oneworld alliance to compete more vigorously with Star Alliance and SkyTeam, which operate similar immunized alliances.

#### **18. Government of Canada invests in Prince Rupert Airport upgrades**

Government officials announced on July 20, 2010 that the Government of Canada was making important safety upgrades to the Prince Rupert Airport. This new funding (\$223, 000) for the upgrades was in addition to previous federal investments worth \$2.45 million.

#### **19. UPS Sees ‘Ocean Squeeze’ Pushing Shippers to Air**

Because of an “ocean squeeze” on capacity, UPS says it is seeing some ocean freight shipments switch to air and the company expects more shippers to move to expedited transport as demand increases this fall. International demand led to UPS’s earnings growth in the second quarter ending June 30, 2010 with international package volume rising 20.1 percent over last year and international cargo revenue growing 37.4 percent.

#### **20. Aircraft movement statistics: Major airports**

Aircraft take-offs and landings at the 93 Canadian airports with NAV CANADA air traffic control towers and flight service stations decreased 7.6% in June 2010 compared with the same month a year earlier. These airports reported 520,515 movements in June 2010 compared with 563,202 movements in June 2009.

#### **21. Aviation primed for takeoff**

Signs of recovery are visible for the commercial aviation industry. Aerospace manufacturers came away from the bi-annual Farnborough International Airshow in July 2010 with more than \$30-billion (U.S.) on their order books, an improvement compared to the \$7 billion of last year. Airlines that had been in the red are reporting stronger quarterly results and presenting upbeat forecasts as passengers take to the skies once again.

#### **22. EU clears world’s biggest airline merger**

European competition authorities on July 27, 2010 cleared a three-billion-dollar merger between United and Continental that will create the world’s biggest airline. The European Commission “concluded that the transaction would not significantly impede effective competition” in Europe, where the US carriers serve a combined 35 destinations. The new airline will fly under the United Airlines name and will hold around seven percent of global airline capacity. It has a market value of around US\$6.75-billion.

#### **23. Government of Canada invests in Bathurst Airport upgrades**

On July 27, 2010, government officials announced a \$2.2-million contribution from the Government of Canada for important safety upgrades to the Bathurst Airport. This year, the Government of Canada will invest more than \$42 million in safety-related improvements at airports across Canada. These improvements will be funded in 2010-2011 under the Airports Capital Assistance Program

#### **24. Air Canada announces acceptance of proposal for credit card processing services**

Air Canada on July 27, 2010 announced that it has accepted a proposal from a new service provider for the provision of its principal credit card processing services requirements in North America for Visa and MasterCard, for a five year term beginning at the expiry of the current agreements being replaced.

#### **25. Scheduled air passenger origin and destination: Canada-United States [2009]**

According to Statistics Canada, close to 16.4 million passengers travelled on scheduled air services between Canada and the United States in 2009, down 0.6% from 2008.

## 26. Demand Continues Recovery in June

The International Air Transport Association (IATA) announced international scheduled traffic statistics for June 2010 which showed continued strong demand growth as the industry recovers from the impact of the global financial crisis. Compared to June 2009, international passenger demand was up 11.9% while international scheduled freight traffic showed a 26.5% improvement. Capacity increased only slightly above demand improvements during the month, keeping load factors in line with historical highs at 79.8% for passenger traffic and 53.8% for freight.

## 27. AA Pays \$5 Million to Settle Cargo Price-Fixing Suit

American Airlines will pay \$5 million and provide evidence to shipper attorneys to settle a civil complaint that the airline took part in a conspiracy to fix cargo prices. AA admits of no wrong doing. Airlines have paid more than \$1.5 billion in fines in the United States.

## MARINE TRANSPORTATION

### 1. Government of Canada invests over half a billion dollars in the revitalization of Marine Atlantic Inc. (MAI)

On July 5, 2010, government and other officials announced that the Government of Canada was making significant investments to revitalize MAI and renew its fleet and shore facilities. Minister Merrifield said "Our government is supporting Canada's economy by investing in Marine Atlantic Inc., which provides a vital transportation link between Newfoundland and Labrador, and Nova Scotia, ... Today's investment will help Marine Atlantic Inc. renew its fleet and shore facilities, and improve the quality and reliability of its services." The \$521 million investment allows MAI to invest nearly \$84 million over five years to complete upgrades.

### 2. Marine Atlantic gets half-a-billion-dollar jump start

The Government of Canada has earmarked \$521 million to revitalize struggling Crown Corp. Marine Atlantic (MAI) so that it will be able renew its fleet and shore facilities. MAI will invest a further \$84 million over five years.

### 3. Canada ratifies new regulations to improve marine worker safety

Canada ratifies new regulations to improve marine worker safety. Minister Raitt (of Labour) said "We are implementing these regulations to protect marine workers and prevent accidents and injuries in their place of work."

### 4. Far East-US Container Traffic Hit Record in June

A shipping consultant estimated ocean container shipments from Asia to the U.S. at 1.23 million 20-foot equivalent units (TEU) in June 2010, a 32 percent increase over a year ago. The increase is driven by Chinese exports. Far East-U.S. container traffic grew 18 percent in the first six months of the year from the same period in 2009 and surged 23 percent in the second quarter, according to Alphaliner. Ocean carriers boosted capacity by 20 percent between January 2010 and June 2010 in response to the surge in cargo demand which has resulted in doubling of rates from Asia to the U.S. West Coast since the beginning of the year.

### 5. Port Metro Vancouver Accumulated Cargo Statistics Report [May 2010]

The port of Vancouver released its accumulated cargo statistics to the end of May 2010. All commodities increased 20.4% for the period January 2010 to May 2010 compared to the same period in 2009. The increase from inbound and outbound traffic were nearly balanced. Coal and fertilizer made impressive gains of 41.1% and 43.3% for the above period, respectively. Containers in terms of TEU's recorded a 9.6% increase. The cruise industry both in terms of revenue passengers and voyages were down substantially (33.2% and 32.1%) for the above period.

### 6. The Government of Canada supports Ashcroft Terminal's expansion

On July 14, 2010, government officials announced a \$5-million federal funding

commitment to Ashcroft Terminal for the expansion of its industrial-zoned land into a multi-user rail facility. The expansion of the terminal just outside of Ashcroft will facilitate railway access for shippers within the region. The project will provide more train capacity and will improve the movement of goods travelling between the West Coast and the Ontario/Quebec region.

## Marine Transportation

1. Government of Canada invests over half a billion dollars in the revitalization of Marine Atlantic Inc., July 5, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Marine Atlantic gets half-a-billion-dollar jump start, July 7, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)
3. Canada ratifies new regulations to improve marine worker safety, June 30, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
4. Far East-US Container Traffic Hit Record in June, July 6, 2010, [www.joc.com](http://www.joc.com)
5. Port Metro Vancouver Accumulated Cargo Statistics Report [May 2010], July 12, 2010, [www.portvancouver.com](http://www.portvancouver.com)
6. The Government of Canada supports Ashcroft Terminal's expansion, July 14, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
7. North Shore of the Asia-Pacific Gateway keeps expanding, July 14, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Government of Canada announces investment to improve the Port of Oshawa, July 16, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
9. Montreal Port Faces Longshore Strike, July 16, 2010, [www.joc.com](http://www.joc.com)
10. Cargo Soars at Montreal, July 16, 2010, [www.joc.com](http://www.joc.com)
11. Crippled Port of Montreal asks for quick resolution to labour dispute, July 20, 2010, [www.ctl.ca](http://www.ctl.ca)
12. Montreal Port Lockout Ends, July 22, 2010, [www.joc.com](http://www.joc.com)
13. Q2 2010 Summary of Cargo & Cruise Activity, July 20, 2010, [www.portofhalifax.ca](http://www.portofhalifax.ca)
14. Prince Rupert Port Statistics Monthly Traffic Summary [YTD] June 2010, July 21, 2010, [www.rupertport.com](http://www.rupertport.com)
15. Idle Container Ships Fall to 2 Percent of World Fleet, July 23, 2010, [www.joc.com](http://www.joc.com)
16. Background: Revised Guidelines Respecting Coasting Trade Licence Applications, July 27, 2010, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
17. Global Trade to Grow by 8.1 Percent, July 28, 2010, [www.joc.com](http://www.joc.com)
18. Port Metro Vancouver Accumulated Container Traffic Report Y-T-D June 2010, July 30, 2010, [www.portvancouver.com](http://www.portvancouver.com)

## US

1. Container trade forecasts to grow 19 percent in 2010, April 30, 2010, [www.americanshipper.com](http://www.americanshipper.com)

## **7. North Shore of the Asia-Pacific Gateway keeps expanding**

On July 14, 2010, government officials marked the start of construction on the Lynn Creek Rail Bridge and Brooksbank Avenue Underpass project in North Vancouver, B.C. This federal investment of over \$21 million will improve access to ports and railways, and help to seize job creation. This project, delivered through Port Metro Vancouver, involves building a new bridge to carry eight new rail lines to widen the existing port rail corridor. These expansions will improve railway access to and from Port Metro Vancouver's Neptune and Lynnterm West terminals in North Vancouver.

## **8. Government of Canada announces investment to improve the Port of Oshawa**

On July 16, 2010, the Government of Canada announced that it is investing \$10.2 million in major improvements to the Port of Oshawa that will boost the port as an attraction for families and visitors, and support new jobs and business opportunities in the region.

## **9. Montreal Port Faces Longshore Strike**

After a year-and-a-half of unsuccessful negotiations to renew their June 2005, collective agreement, the union voted on July 6, 2010 by a 95.5 percent margin to authorize a strike at any time. As a result, the threat of a strike looms over the Port of Montreal. The longshoremen's union and employers met on July 16, 2010 to negotiate renewal of a labour contract for the union's 850 members.

## **10. Cargo Soars at Montreal**

The Port of Montreal recorded a 7.9 percent increase in all traffic in the first half of 2010, compared to the same period last year, with a 12.6 percent hike in containerized cargo and soaring iron ore growth of 376 percent from the 2009 period when that trade was almost stopped by recession in the steel industry. This suggests that the markets are improving.

## **11. Crippled Port of Montreal asks for quick resolution to labour dispute**

The Montreal Port Authority is calling for a quick resolution between the Maritime Employers Association [MEA] and its employees. The dispute resolves over job and revenue security.

## **12. Montreal Port Lockout Ends**

Since July 18, 2010, the Port of Montreal was shut down by an employer lockout of longshoremen. The port will reopen for work on July 24, 2010 following a compromise agreement reached. The union for the 850-plus longshore workers agreed to stop their no-overtime and work-to-rule stances, and the employers agreed to withdraw their refusal to guarantee job security and pay for 107 of the workers identified in the expired 2005 employer-union labor contract.

## **13. Q2 2010 Summary of Cargo & Cruise Activity**

Halifax's containerized cargo for the first six months of 2010 was 205,178 TEUs compared with the first half of 2009 (152,713 TEUs), a increase by over 52,000 TEUs (34.4%) indicating that the new vessel strings introduced over the year have had a positive impact. Breakbulk cargo increased by 0.8% in the second quarter of 2010 compared to the second quarter of 2009. Total breakbulk cargo was 34,411 million tonnes (MT) for the second quarter. Bulk cargo volume declined by 27.1% to 1,261,115 MT in the second quarter of 2010 versus second quarter of 2009. Ro/Ro cargo increased by 22.1% to 70,941 MT in Q2 2010, as compared to the same quarter in 2009.

## **14. Prince Rupert Port Statistics Monthly Traffic Summary [YTD] June 2010**

The number of TEUs handled at the port of Prince Rupert till the end of June 2010 was 157, 657.8, a 61.5% increase over June 2009. Imports increased 55.6% and exports increased 70.5% in terms of TEUs for the same period.

## **15. Idle Container Ships Fall to 2 Percent of World Fleet**

Only 2 percent of the world's container ships were idle as of July 2010 compared with 11.6 percent at the start of the year according to the newsletter Alphaliner. There are now no idle ships with capacities of more than 5,000 TEUs, and only 22 idle vessels in the 3,000-5,000-TEU range.

## **16. Background: Revised Guidelines Respecting Coasting Trade Licence Applications**

They replace the guidelines issued in 2003. The Guidelines serve to clarify, the Agency's mandate under the *Coasting Trade Act*, the roles and responsibilities of parties involved in the application process before the Agency, as well as the Agency's administrative process. The *Coasting Trade Act* is designed to protect the interests of Canadian vessel operators when dealing with applications to use foreign or non-duty paid ships in Canada.

## **17. Global Trade to Grow by 8.1 Percent**

World trade by sea, land and air will grow by 8.1 percent in 2010 after declining by 7.2 percent last year, according to a forecast published by IHS Global Insight. Containerized trade will increase by 10%.

## **18. Port Metro Vancouver Accumulated Container Traffic Report Y-T-D June 2010**

The total number of containers (TEU's) moving through the Port of Vancouver increased 12% to 1,163, 959 for the period January to June 2010 compared to the same period in 2009. Inbound traffic increased by 16% and outbound traffic



by 7%.

## RAIL TRANSPORTATION

### 1. Rail Cases Mount at (US) STB

Shipper complaint cases against railroads are piling up at the US Surface Transportation Board, despite the latter's efforts to head them off through mediation. Cases range from challenges by single customers over rail rates on specific commodity hauls.

### 2. Canadian rail carloadings surge year-over-year in April [2010]

According to Statistics Canada, Canadian rail carloadings have surged year-over-year in April 2010. Total freight traffic originating in Canada and received from the US increased to 24.7 million metric tonnes, up 17.5% from April 2009. Compared with April 2009, freight loaded in Canada rose 15.2% to 22.4 million metric tonnes in April 2010. Intermodal freight loadings, transported through containers and trailers loaded onto flat cars increased 7.5% to 2.3 million metric tonnes in April 2010, compared with the same month in the previous year.

### 3. Canadian National may hire 10,000 people over five years: CEO

Canadian National Railway Co. plans to hire as many as 2,000 people annually over the next five years to replace retiring employees and reduce operating costs. 47% of its labour force plans to retire over this period. Canadian National is looking for mechanics, engineers and train conductors. Canadian National plans to improve fuel productivity 3 percent annually in the next few years as it buys new locomotives and runs longer trains. It does not see any evidence that the recovery may be fading. About 43 percent of revenue last year came from Canadian and U.S. companies shipping goods within their home markets, while exporters from both countries accounted for the rest.

### 4. Canada Requires Hearing of Rail Shipper's Complaint

Cabinet now requires that rail complaints regarding ancillary and penalty charges to the Canadian Transportation Agency Tribunal be heard even if it is part of a confidential contract. This provided some relief to Canadian rail shippers faced with growing ancillary and penalty charges levied by carriers. Robert Ballantyne, CITA president of the Canadian Industrial Transportation Association said "This is a significant victory for shippers."

### 5. Feds to funnel \$5 million into B.C. rail facility

On July 15, 2010, the Government of Canada announced a \$5-million federal funding commitment to Ashcroft Terminal for the expansion of its industrial-zoned land into a multi-user rail facility.

### 6. CN reports Q2-2010 net income of C\$534 million, or C\$1.13 per diluted share -- up 38 per cent from year-earlier results

For the second quarter of 2010, CN reported the following results: 1. net income and diluted earnings per share (EPS) increased by 38 per cent from the year-earlier quarter to C\$534 million and C\$1.13, respectively; 2. diluted EPS of C\$1.13 increased by 49 per cent over adjusted diluted EPS of C\$0.76 for the second quarter of 2009; 3. revenues rose 18 per cent to C\$2,093 million, while carloadings increased 27 per cent and revenue ton-miles rose 15 per cent; 4. operating income increased 39 per cent to C\$813 million; 5. operating ratio improved by 6.1 points to 61.2 per cent; and 6. six-month free cash flow totalled C\$958 million, up from C\$463 million generated during the comparable period of 2009. Claude Mongeau, president and chief executive officer, said: "I am very pleased with our strong second-quarter 2010 earnings and free cash flow performance..."

### 7. CN raises profit outlook for 2010

CN, Canada's biggest railway, said it expects 2010 adjusted earnings per share will be 25 per cent above the \$3.24 it reported for 2009. It also expects free cash flow of \$1.1-billion. Luc Jobin, the railway's chief financial officer, said "We've had very, very strong first-half results and we expect the economy to continue on its gradual course of recovery..." CN said the rise in revenue came on higher freight volumes in all its markets, higher fuel surcharges and freight rate increases.

### 8. Canadian Pacific reaches tentative agreement with its signals employees

## Rail Transportation

### Canada

1. Rail Cases Mount at STB, July 5, 2010, [www.joc.com](http://www.joc.com)
2. Canadian rail carloadings surge year-over-year in April, July 5, 2010, [www.ctl.ca](http://www.ctl.ca)
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4. Canada Requires Hearing of Rail Shipper's Complaint, July 9, 2010, [www.joc.com](http://www.joc.com)
5. Feds to funnel \$5 million into B.C. rail facility, July 15, 2010, [www.ctl.ca](http://www.ctl.ca)
6. CN reports Q2-2010 net income of C\$534 million, or C\$1.13 per diluted share -- up 38 per cent from year-earlier results, July 22, 2010, [www.cn.ca](http://www.cn.ca)
7. CN raises profit outlook for 2010, July 23, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
8. Canadian Pacific reaches tentative agreement with its signals employees, July 22, 2010, [www.cpr.ca](http://www.cpr.ca)
9. Canadian Pacific announces second-quarter results, July 28, 2010, [www.cpr.ca](http://www.cpr.ca)
10. Canadian Pacific may return 25%, July 28, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
11. Railway carloadings, July 28, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
12. CP steams out of recession, July 28, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
13. CN, TSI Terminal Systems Inc. sign comprehensive Service Level Agreement to improve customer service and container throughput at Port Metro Vancouver, July 28, 2010, [www.cn.ca](http://www.cn.ca)
14. Limited Distribution Tariffs: Letter from the Agency Chair to Railway Companies and Stakeholders, July 29, 2010, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
15. CN conductors on Northern Quebec Internal Short Line ratify new collective agreement, July 29, 2010, [www.cn.ca](http://www.cn.ca)

### US

1. [US] Intermodal gains highest in 20 years, July 15, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)

On July 22, 2010, Canadian Pacific railway and the Canadian Signals and Communications System Council No. 11 of the I.B.E.W (IBEW), representing about 400 employees who maintain railway signal systems, announced they have reached a tentative three-year collective agreement. The Memorandum of Settlement will be sent to the union membership for ratification.

#### **9. Canadian Pacific announces second-quarter results**

Canadian Pacific Railway Limited on July 28, 2010 announced second-quarter net income of \$166.6 million. Diluted earnings per share were \$0.98, up 23 per cent from \$0.80 in the second-quarter 2009 which included a \$0.41 per share gain from an asset sale. Compared to the second quarter of 2009, its results were: adjusted diluted earnings per share increased 96 per cent to \$0.92; total revenues were up 20 per cent to \$1.23 billion; operating income increased 48 per cent to \$274.1 million; adjusted earnings increased 97 per cent to \$156.2 million; and operating ratio improved 430 basis points to 77.8 per cent. Fred Green, CEO of Canadian Pacific Railway, said "We leveraged volume growth in the quarter to deliver a solid financial performance through a keen focus on cost management."

#### **10. Canadian Pacific may return 25%**

An analyst with Canaccord has initiated coverage in the railway with a "buy" rating and \$72 target price. He forecasts strong EPS growth for the year including a potential one-year return of almost 25%. He said "We also believe there is good potential for upside surprises during the economic recovery phase from strong volume and operating leverage gains." He also maintains a "buy" rating for competitor Canadian National Railway Co., while raising his target price to \$78 from \$77.

#### **11. Railway carloadings**

The volume of cargo carried by Canadian railways increased in May 2010, as both commodity loadings in Canada and traffic received from the United States rose. Total freight traffic originating in Canada and received from the United States increased to 25.2 million metric tonnes, up 20.6% from May 2009. Intermodal freight loadings, transported through containers and trailers loaded onto flat cars, increased 10.7% to 2.3 million metric tonnes in May 2010, compared with the same month a year earlier.

#### **12. CP steams out of recession**

Canadian Pacific railway reported a \$1.2-billion in revenue in the second quarter, a 20 per cent increase. All of its major business segments showed improvements over the same time last year, except grain. Grain transport was the only one of seven business segments at Canadian Pacific to show any drop in revenue, and the decline was a relatively small \$10-million.

#### **13. CN, TSI Terminal Systems Inc. sign comprehensive Service Level Agreement to improve customer service and container throughput at Port Metro Vancouver**

CN and TSI Terminal Systems Inc. (TSI) announced on July 28, 2010 the signing of a comprehensive Service Level Agreement. The agreement, which establishes specific performance targets and measurement tools, flows from the CN-TSI Supply Chain Collaboration Agreement announced last month that commits the parties to drive greater efficiencies and improve customer service at the Vancouver gateway.

#### **14. Limited Distribution Tariffs: Letter from the Agency Chair to Railway Companies and Stakeholders**

Besides tariffs and confidential contracts, a third mechanism that governs commercial relationships has emerged among the railways i.e., limited distribution tariffs. They are used as mechanisms to initiate movement of traffic. Can these be viewed as contracts or tariffs. Between now and mid-September 2010, the Canadian Transportation Agency staff will develop a discussion paper on this issue which will be posted on the Agency's Website. Parties will be allowed till the fall to prepare and file written submissions on the discussion paper.

#### **15. CN conductors on Northern Quebec Internal Short Line ratify new collective agreement**

On July 29, 2010, CN announced that train conductors represented by the Teamsters Canada Rail Conference on the Company's Northern Quebec Internal Short Line have ratified a new five-year collective agreement.

## HIGHWAY

### 1. April 2010 Surface Trade with Canada and Mexico Rose 32.4 Percent from April 2009

Trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 32.4% higher in April 2010 than in April 2009, reaching \$65.8 billion, according to the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation. U.S.-Canada surface transportation trade totalled \$39.9 billion in April, up 32.1% compared to April 2009. Michigan and Illinois were the two States in the US that ranked the highest in their trade with Canada.

### 2. TL rates up, LTL flat: Canadian General Freight Index

The Canadian General Freight Index shows that truckload rates are on the rise while LTL rates remain flat. Overall freight costs rose 3.9% in April 2010 compared to March 2010. Base rates, excluding fuel surcharges, increased 3.9% with average fuel surcharges decreasing by 1.4%.

### 3. TST Overland triples capacity with new Calgary terminal

TransForce announced that its subsidiary TST Overland has acquired a new 52-door cross-dock terminal in Calgary that will more than triple its capacity there in expectation of growth potential.

### 4. US loosens insurance rules for Canadian truckers

Canadian cross-border carriers will no longer have to be insured by a U.S. company or maintain a policy "reinsured" by the American issuer.

### 5. TransCore's Canadian Freight Index continues to improve

TransCore's Canadian Freight Index continues to show improvements. The June index for 2010 showed a 59% improvement in the spot market freight availability compared to June 2009 and a 11% gain over May 2010. For the second quarter, the index was up 39% over the first quarter and 70% higher than Q2 2009, TransCore reports.

### 6. Border truck traffic up nearly 18% first half '10

According to the Public Border Operators Association, 3.4 million trucks crossed the Ontario-U.S. border in the first half of 2010 compared to 2.9 million in 2009 (+17.5%). At the Ambassador Bridge, the busiest land crossing between Canada and the U.S., commercial traffic is up 26.3 percent from January 2010 to June 2010, with 1,348,179 truck crossings.

### 7. Construction begins on Route 1 gateway project (10/07/20)

Government officials announced on July 20, 2010 the beginning of construction on the Route 1 gateway project - the largest financial highway undertaking in New Brunswick

history. Route 1 is a key infrastructure priority for New Brunswick, and this work will help to save lives, reduce injuries and improve access and traffic flow at New Brunswick's key land border crossing with the United States. This \$580-million public-private partnership also includes construction of other infrastructure developments.

### 8. UPS aims to improve fuel efficiency by 20% from 2000 to 2020

UPS has announced that it is hoping to improve the fuel efficiency of its package delivery fleet by 20% between 2000 and 2020. It will accomplish this reduction due to improved vehicle technology, effective maintenance procedures, fuel-conservation efforts and by implementing sophisticated routing technology.

### 9. McGuinty Government Investing in Infrastructure, Creating Jobs

Groundbreaking technology to lift, move and replace a dual-span bridge - in just three days will be used to replace a bridge in Toronto. Preliminary work on the Aberdeen Bridge has already begun and the rapid bridge replacement process will begin the evening of July 30, 2010. Using innovative technology the old bridge will be lifted away and will be

## Highway Transportation

### Canada

1. April 2010 Surface Trade with Canada and Mexico Rose 32.4 Percent from April 2009, June 29, 2010, [www.bts.gov](http://www.bts.gov)
2. TL rates up, LTL flat: Canadian General Freight Index, July 6, 2010, [www.ctl.ca](http://www.ctl.ca)
3. TST Overland triples capacity with new Calgary terminal, July 7, 2010, [www.ctl.ca](http://www.ctl.ca)
4. US loosens insurance rules for Canadian truckers, July 8, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)
5. TransCore's Canadian Freight Index continues to improve, July 14, 2010, [www.ctl.ca](http://www.ctl.ca)
6. Border truck traffic up nearly 18% first half '10, July 14, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)
7. Construction begins on Route 1 gateway project (10/07/20), July 20, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
8. UPS aims to improve fuel efficiency by 20% from 2000 to 2020, July 26, 2010, [www.ctl.ca](http://www.ctl.ca)
9. McGuinty Government Investing in Infrastructure, Creating Jobs, July 27, 2010, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
10. May 2010 Surface Trade with Canada and Mexico Rose 39.5 Percent from May 2009, July 29, 2010, [www.dot.gov](http://www.dot.gov)
11. Couriers and Messengers Services Price Index, July 30, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
12. TransCore freight index continues to surge, July 30, 2010, [www.ctl.ca](http://www.ctl.ca)
13. Construction resumes on Lewvan/Highway 1 interchange in Regina, July 29, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)

### US

1. BTS Releases State Transportation Statistics 2009, July 9, 2010, [www.bts.gov](http://www.bts.gov)
2. Freight Transportation Services Index (TSI) Fell 0.4% in May from April, July 14, 2010, [www.dot.gov](http://www.dot.gov)



replaced with a pre-constructed bridge that has been built nearby. The process will be completed by August 3, 2010. Traditionally, a complete bridge replacement takes nine to 12 months

#### **10. May 2010 Surface Trade with Canada and Mexico Rose 39.5 Percent from May 2009**

The Bureau of Trade Statistics reports that trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 39.5 percent higher in May 2010 than in May 2009, reaching \$66.8 billion. U.S.– Canada surface transportation trade totalled \$40.2 billion in May 2010, up 37.5 percent compared to May 2009. The value of imports carried by truck was 32.0 percent higher in May 2010 compared to May 2009, while the value of exports carried by truck was 34.5 percent higher during this period.

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

The Couriers and Messengers Services Price Index increased 0.5% in June 2010 compared with May 2010. The courier portion rose 0.6%, while the local messenger component declined 0.1%.

#### **12. TransCore freight index continues to surge**

TransCore's Canadian Freight Index on the spot market freight availability indicates that it was up 59% year-over-year in June 2010 than June 2009. For the second quarter, spot market freight was up 39% over the first quarter and 70% better than Q2 2009.

#### **13. Construction resumes on Lewvan/Highway 1 interchange in Regina**

Work is underway at the intersection of Highway 1 and Lewvan Drive on the \$34-million interchange in southwest Regina. This project is being jointly funded by the provincial and federal governments. The latter's contribution is \$16.05 million under the Building Canada Fund. The project will address safety concerns and support efficient traffic flow.

## **GENERAL**

### **1. Travel between Canada and other countries**

Travel to Canada by foreign residents fell 1.9% between April 2010 and May 2010 to 1.9 million trips, as travel from both the United States and other countries declined. On an outbound basis, Canadian residents took fewer trips to both the United States and other countries in May 2010, resulting in an overall decline of 1.0% trips outside the country compared with April 2010.

### **General Canada**

1. Travel between Canada and other countries, July 20, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)

### **US**

1. Obama Backs Free Trade Agreements, July 7, 2010, [www.joc.com](http://www.joc.com)

### **Publications**

1. How Transport Leaders See the Sector, July 2, 2010, [www.cemt.org](http://www.cemt.org)
2. Supply Chain Focus, Summer 2010, [www.onttruck.ca](http://www.onttruck.ca)