

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Canada and El Salvador successfully conclude air transport agreement

On April 29, 2010, government officials announced that an open skies-type bilateral air transport agreement has been concluded between Canada and El Salvador. This new agreement, another accomplishment under Canada's Blue Sky, will encourage new trade and investment between Canada and El Salvador, and will help Canadian businesses expand their interests beyond our borders. It in turn will create wealth and prosperity at home — another example of Canada's continued engagement with the Americas.

### 2. ATAC Appears before the Standing Committee on Transport, Infrastructure and Communities on Aviation Safety and Security

The President and CEO of the Air Transport Association of Canada appeared before the Standing Committee as the Committee's study touched on many aspects of safety and security. He indicated that ATAC is a strong supporter of Safety Management Systems (SMS) and ATAC believes that SMS represent a financial and security gain for air operators. However, ATAC is of the opinion that Transport Canada lacks some of the essential tools for SMC to work and is concerned that some of the amendments in Bill C7 (Aeronautics Act) were not implemented. They also indicate that the monetary costs (air travellers security charges and its increases) and social costs (no fly lists, passenger name records, etc.) of the current security measures are significant. They then describe these and other direct costs (full body scanners, queuing of passengers, pre-approved level of security clearance, profiling, terminal type security for charters and sports teams, etc) and their concerns with regard to them. In conclusion they say yes to security but not at unreasonable costs.

### 3. Demand Improvements Continue in March - Expect Volcano-Related Dip in April

On April 29, 2010, the International Air Transport Association (IATA) announced that the March 2010 international scheduled air traffic showed continued strengthening of demand. Compared to March 2009, passenger demand was up 10.3%, while cargo demand grew 28.1%. Both are improvements from the 9.0% and 26.3% growth for passenger and freight demand recorded in February 2010. With a 78.0% load factor recorded in March 2010, passenger load factors remain at record highs. While demand expanded by 10.3% in March, capacity increases stood at 2.0%, boosting the load factor and creating much tighter supply and demand conditions. Global capacity remains 3-4% below pre-crisis levels.

### 4. WestJet launches new service between Toronto and Bermuda

WestJet launches new seasonal non-stop service between Toronto and Bermuda commencing on May 3, 2010. It will fly once daily between May 2010 and 30 October 2010.

### 5. Continental, United form airline behemoth

On May 3, 2010, Continental and United said that they are forming the world's largest airline in a merger worth about \$3-billion. UAL Corp. owners of United will hold 55% of the new airline. Eighteen months ago the Justice Department allowed Delta

## Current Developments in Brief

### Air Transportation

#### CANADA

1. Canada and El Salvador successfully conclude air transport agreement, April 29, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
2. ATAC Appears before the Standing Committee on Transport, Infrastructure and Communities on Aviation Safety and Security, April 29, 2010, [www.atac.ca](http://www.atac.ca)
3. Demand Improvements Continue in March - Expect Volcano-Related Dip in April, April 28, 2010, [www.iata.org](http://www.iata.org)
4. WestJet launches new service between Toronto and Bermuda, [www.westjet.ca](http://www.westjet.ca)
5. Continental, United form airline behemoth, May 3, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
6. Westjet reports first quarter net earnings of \$13.8 million, May 4, 2010, [www.westjet.ca](http://www.westjet.ca)
7. Rising fuel costs shave WestJet profit, May 5, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
8. Air Canada to launch only Montréal-Phoenix winter non-stop flights; Double daily Toronto-Phoenix flights next winter, May 4, 2010, [www.aircanada.com](http://www.aircanada.com)
9. Air Canada reports April traffic, April 6, 2010, [www.aircanada.com](http://www.aircanada.com)
10. Air Canada reports 2010 first quarter results, April 6, 2010, [www.aircanada.com](http://www.aircanada.com)
11. Air Canada narrows first-quarter loss, April 6, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
12. Air Canada narrows Q1 losses, beats expectations, April 6, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
13. WestJet, Cathay Pacific sign partnership deal, April 6, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
14. WestJet and Cathay Pacific launch interline agreement, May 11, 2010, [www.westjet.ca](http://www.westjet.ca)
15. Air Canada upgraded at Citigroup, May 11, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
16. Aircraft movement statistics: Small airports, May 11, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
17. Rovinescu sees open skies for Air Canada, May 12, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
18. Aircraft movement statistics: Small Airports, May 13, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
19. TAM Airlines joins Star Alliance., May 13, 2010, [www.aircanada.ca](http://www.aircanada.ca)
20. ATAC Testifies before the Standing Committee on Finance on Increases to the Air Travelers' Security Charge, May 13, 2010, [www.atac.ca](http://www.atac.ca)

Air Lines Inc. to buy Northwest Airlines to form what is currently the world's largest airline. In that situation there were 12 overlaps on non-stop routes and in the present merger there are 13 overlaps. An analyst gave the merger a 75 per cent chance of winning US regulatory approval.

#### **6. Westjet reports first quarter net earnings of \$13.8 million**

Westjet reported net earnings for the first quarter of 2010 of \$13.8 million. Its total revenue was \$619.8 million, a 7% increase compared to the first quarter of 2009. The load factor for the first quarter in 2010 was 81.7%, 1.3 points higher than the same quarter for 2009. Similarly, available seat miles and revenue per seat miles increased 7.9% and 9.7%, respectively. Westjet President and CEO said we are pleased to be starting 2010 with another quarter of profitability.

#### **7. Rising fuel costs shave WestJet profit**

WestJet, Canada's second-biggest airline, earned \$13.8-million or 10 cents a share, in the first quarter of 2010, down from \$37.4-million, or 29 cents, a year earlier. WestJet's shares were down 2.5 per cent, or 35 cents, at \$13.30 on the Toronto Stock Exchange in the morning of May 4, 2010. This is because analysts had expected Westjet to report earnings of 15 cents.

#### **8. Air Canada to launch only Montréal-Phoenix winter non-stop flights; Double daily Toronto-Phoenix flights next winter**

Air Canada announced on May 4, 2010 that it will introduce the only Montréal-Phoenix non-stop flights on Saturday and Sunday between November 6, 2010 and April 30, 2011 in time for planning vacations next winter. Flights are timed to offer travellers convenient connections to/from Ottawa, Québec City, Saint John, Fredericton, Halifax and Charlottetown.

#### **9. Air Canada reports April traffic**

For April 2010, Air Canada reported a system load factor of 82.4 per cent on a consolidated basis with Jazz (from which Air Canada purchases regional capacity), versus 81.1 per cent in April 2009, an increase of 1.3 percentage points. System traffic increased 1.0 per cent while system wide capacity decreased 0.7 per cent for the above two periods. Calin Rovinescu, President and Chief Executive Officer said "This marks the fifth consecutive month that our traffic has increased for the same period, year-over-year. Despite the negative impact of volcanic activity on transatlantic operations, Air Canada maintained a strong performance recording increases in traffic and load factors in all other markets."

#### **10. Air Canada reports 2010 first quarter results**

On April 6, 2010, Air Canada reported a reduced operating loss of \$126 million in the first quarter of 2010 compared to the operating loss of \$188 million in the first quarter of 2009, an improvement of \$62 million. Operating revenues increased to \$2.519b an increase of 128%. Operating expenses increased \$66 million or 3 per cent from the first quarter of 2009. Its net loss was \$85 million. Revenue passenger miles and available seat miles increased 6.4% and 6.6%, respectively for the above two periods and the passenger load factor decreased by 0.1 points to 79.4%. Calin Rovinescu, President and Chief Executive Officer said 'I am pleased to report year-over-year improvements in several key areas during the first quarter, traditionally one of the weakest quarters for the industry. Growth in revenue and traffic, combined with continued reductions in unit cost led to a narrowed operating loss compared to the previous year's quarter. We are encouraged to see some evidence of an economic recovery and that a gradual improvement in business travel demand can be expected over the coming year.'

#### **11. Air Canada narrows first-quarter loss**

Air Canada has reduced its losses sharply in the first quarter on a big currency gain and higher revenues. The latest quarter includes a \$100-million foreign exchange gain.

#### **12. Air Canada narrows Q1 losses, beats expectations**

Air Canada reported earnings \$126-million, or 62 cents, this beat market expectations of 77 cents. It resulted in a rise in the share price of Air Canada.

#### **13. WestJet, Cathay Pacific sign partnership deal**

WestJet Airlines Ltd. and Cathay Pacific Airways Ltd. have signed a partnership deal. The deal will make it easier for passengers of Cathay to connect with Westjet through co-operation on ticketing and baggage handling.

21. WestJet introduces here to there inflight entertainment, May 14, 2010, [www.westjet.ca](http://www.westjet.ca)

22. Air Canada expands transborder flying with launch of new service to four American cities from Toronto, May 17, 2010, [www.aircanada.ca](http://www.aircanada.ca)

23. Air Canada launches the only non-stop daily flights linking capital cities Ottawa and Regina, May 17, 2010, [www.aircanada.ca](http://www.aircanada.ca)

24. Revenue up, cargo down in 2009 for HIAA [Halifax International Airport Authority], May 18, 2010, [www.ctl.ca](http://www.ctl.ca)

25. Jazz Air flying in murky disclosure clouds, May 19, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)

26. Aircraft movement statistics: Major airports, May 19, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)

27. WestJet wins Airline staff service excellence award North America, May 20, 2010, [www.joc.com](http://www.joc.com)

28. Air Canada Best Airline in North America in international survey, May 20, 2010, [www.aircanada.ca](http://www.aircanada.ca)

29. Government of Canada further improves aviation security for the safety of Canadians, May 24, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)

#### 14. WestJet and Cathay Pacific launch interline agreement

WestJet made an inbound interline agreement with Cathay Pacific to connect the latter's traffic coming into Canada to destinations on its network in Canada. This agreement signals a major departure of WestJet's strategy from concentrating on the domestic market into the international market. It also made a baggage agreement with Dragon air (a subsidiary of Cathay Pacific).

#### 15. Air Canada upgraded at Citigroup

Air Canada's expected liquidity enhancement, a pullback in the stock and a strong revenue environment resulted in an upgrade of the airline at Citigroup. An analyst at Citigroup raised his rating on the stock from 'Hold to Buy' and hiked his target price from \$2 to \$4 on improved earnings and the company's net debt and pension position.

#### 16. Aircraft movement statistics: Small airports [February 2010]

The number of take-offs and landings at the 134 airports without air traffic control towers reached 37,660 movements in February 2010. Year-over-year increases were reported by 66 of these airports.

#### 17. Rovinescu sees open skies for Air Canada

Air Canada chief executive, Rovinescu, sat down with the *Financial Post* to discuss the changes at Air Canada. He answered a number of questions posed by *Financial Post*. He is of the view that based on what Air Canada has achieved last year (controlling the pension problem, extending collective agreement, controlling costs and achieving its revenue goal of \$500 million), they have made a pretty good start. They would now like to concentrate on dealing with their debt maturities and increasing their liquidity. Their entire international strategy is the cornerstone of Air Canada's and Rovinescu's long-term vision and they will also continue to fight for their domestic market share. He believes that the way Toronto Port Authority is allocating slots (half of the new slots to incumbents and half to new comers) is unfair. It has the effect of freezing Air Canada out the market (traffic to and out of Toronto Island Airport) through their agreement. He is of the opinion that the problem arises when a public authority is allowed to grant an exclusive fiat to a private sector company for a large number of years.

#### 18. Aircraft movement statistics: Small airports

In 2009, the number of take-offs and landings recorded at 138 Canadian airports without air traffic control towers reached 630,150 compared to 632,425 at 126 Canadian airports in 2008. Year-over-year increases were recorded at 47 airports.

#### 19. TAM Airlines joins Star Alliance

TAM Airlines, the leading Brazilian carrier, joined the Star Alliance network on May 13, 2010. This enhances the network of Star Alliance with more destinations across Brazil and South America putting the world's longest serving airline alliance firmly back on the South American continent.

#### 20. ATAC Testifies before the Standing Committee on Finance on Increases to the Air Travelers' Security Charge

In its testimony before the Standing Committee, ATAC questioned the need for the government to raise the Air Travelers's Security Charge (ATSC). Currently, it is generating a surplus of \$70 million a year and the increase would generate \$300 million, over and above CATSA House appropriation. ATAC questioned why the ATSC is the highest in the world and why the ATSC for international flights is five times higher than that in the US.

#### 21. WestJet introduces here to there inflight entertainment

WestJet introduced inflight service on May 14, 2010, allowing passengers to enjoy live seatback television on the ground (when the plane is on the ground for pick-up) and in the air.

#### 22. Air Canada expands transborder flying with launch of new service to four American cities from Toronto

Air Canada on May 17, 2010 launched new twice-daily, year-round service to four American cities, (Memphis, Cincinnati, Syracuse and Portland-Maine) further fortifying its Toronto hub and strengthening its position as the leading transborder carrier with the most daily flights between Canada and the U.S. of any airline.

#### 23. Air Canada launches the only non-stop daily flights linking capital cities Ottawa and Regina

## US

1. Airline Consumer Protection Rules Take Effect Tomorrow, April 28, 2010, [www.dot.gov](http://www.dot.gov)
2. 4th-Quarter 2009 Airline Financial Data: Low-Cost and Regional Airlines Report Profits, Network Carriers Report Loss, May 3, 2010, [www.dot.com](http://www.dot.com)
4. U.S. Transportation Secretary LaHood Announces Agreement with Trinidad and Tobago on Open Skies, May 4, 2010, [www.dot.com](http://www.dot.com)
5. DOT Grants Delta/US Airways Slot Waiver, May 4, 2010, [www.dot.com](http://www.dot.com)
6. 4th-Quarter 2009 Airline Financial Data: Low-Cost and Regional Airlines Report Profits, Network Carriers Report Loss, May 5, 2010, [www.bts.gov](http://www.bts.gov)
7. DOT Announces Proposed Decision to Award Four Routes at Tokyo's Haneda Airport, May 7, 2010, [www.dot.gov](http://www.dot.gov)
8. FedEx Adds 777 Freighter Orders, May 7, 2010, [www.joc.com](http://www.joc.com)
9. March [US] Airline On-Time Performance Higher Than Last Year and February, March 11, 2010, [www.dot.gov](http://www.dot.gov)
10. February 2010 Airline Traffic Data: System Traffic Down 1.9 Percent from February 2009, May 13, 2010, [www.dot.com](http://www.dot.com)
11. March 2010 Passenger Airline Employment Down 3.8 Percent from March 2009, May 18, 2010, [www.dot.gov](http://www.dot.gov)
12. 4th-Quarter 2009 Air Fare Data: Average 4th-Quarter Domestic Air Fares Fell 7.4% from 4th Quarter 2008; Top 100 Airports: Highest Fare in Huntsville, Lowest Fare at Atlantic City, May 19, 2010, [www.dot.gov](http://www.dot.gov)
13. [British Airways] BA Cargo Slumps, Carrier Posts Record Loss, May 21, 2010, [www.joc.com](http://www.joc.com)
14. BA, union talks fail, strike for Monday, May 23, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
15. British Airways Cabin Crew Strikes, May 24, 2010, [www.joc.com](http://www.joc.com)

Air Canada is launching the only non-stop daily flights linking the country's capital, Ottawa with Regina, Saskatchewan's capital city, commencing on May 18, 2010. These flights also feature same-plane service to and from Montreal.

**24. Revenue up, cargo down in 2009 for HIAA [Halifax International Airport Authority]**

In 2009, HIAA had revenue of \$62.1 million, a surplus of \$3.3 million above costs. The surplus was re-invested in airport operations and development. In 2008, HIAA invested \$63.6 million in its multi-year airport improvement program. Notwithstanding the surplus, cargo in metric tonnes dropped 3.7%.

**25. Jazz Air flying in murky disclosure clouds**

Jazz Air's weak first quarter performance led to a downgrade by analysts on the future of its stock's. To add this, the airline decided to reduce the information on disclosure of costs which led to a further negative outlook on the airline's stock for the future. An analyst at Beacon Securities states "unfortunately, the disclosure provided by Jazz Air has shrunk along with the margins. ... Needless to say, we view this change in disclosure negatively as it makes our work more challenging."

**26. Aircraft movement statistics: Major airports [April 2010]**

Aircraft take-offs and landings at the 93 Canadian airports with NAV CANADA air traffic control towers and flight service stations decreased 5.8% in April 2010 compared with April 2009.

**27. WestJet wins Airline staff service excellence award North America**

On May 20, 2010, WestJet won the staff service excellence award North America at the 2010 World Airline Awards presented in Hamburg, Germany.

**28. Air Canada Best Airline in North America in international survey**

On May 20, 2010, Air Canada has been ranked 'Best Airline North America' in a worldwide survey of more than 17 million air travelers as announced in Hamburg, Germany at the Skytrax World Airline Awards.

**29. Government of Canada further improves aviation security for the safety of Canadians**

On May 24, 2010, government officials announced another vital step forward to ensuring that Canada's aviation system is one of the most safe and efficient in the world, meeting the highest standards. The new initiative attempts to ensure that air cargo shipments are resilient from the threat of terrorism. One of the measures in the new initiative is a new *Air Cargo Security Program*, a \$95.7 million investment to be phased-in over five years. It builds on the air cargo plan unveiled by Prime Minister Stephen Harper in June 2006. Other measures include establishing an information-sharing agreement with the Royal Canadian Mounted Police; legislation to help starve terrorists of financing; and openly condemning groups with links to terrorism.

## MARINE TRANSPORTATION

### 1. Halifax Port announces strategy to improve efficiencies

To ensure measures to improve their productivity and efficiency CN Rail and Halifax Port Authority, Cerescorp Company Limited, and Halterm Container Terminal Limited have developed a new strategy to measure and align their individual performances in the Halifax Gateway supply chain. The agreement, announced on April 29, 2010, establishes clear and defined performance standards for moving goods quickly through the Port of Halifax, into and out of the Ontario, Quebec, and the U.S. Midwest markets.

### 2. Maersk Line announces new weekly call at Halifax

Maersk has announced on May 3, 2010 a new direct service connecting the Port of Halifax with North Europe. The service will offer customers in Halifax fixed weekly calls (May 18, 2010) from Halifax to North Europe, and connections to the Far East Asia via transshipment.

### 3. Cumulative containerized traffic summary First Quarter (metric tonnes and TEUs)

The Port of Montreal indicates that total traffic in terms of number of TEUs for the first quarter of 2010 increased by 3.5% compared to the first quarter of 2009. Inbound traffic increased by 4.5% and outbound traffic increased by 2.5%. In terms of metric tonnes, traffic for the above period increased by 11.1 %, inbound traffic increased by 6.9% and outbound traffic by 14%.

### 4. Port Metro Vancouver Accumulated Container Traffic Report Y-T-D April 2010

The total number of containers (TEU's) moving through the Port of Vancouver increased 8% to 724,434 for the period January to April 2010 compared to the same period in 2009. Inbound traffic increased by 11% and outbound traffic by 5%.

### 5. Government of Canada introduces new regulations to protect passengers and crew aboard vessels

On May 14, 2010, the Government of Canada announced new regulations (the *Fire and Boat Drills Regulations*) that will enhance safety and better ensure that passengers and crew of vessels, including passenger ferries, understand what to do during emergencies. They require accurate count of persons on board a vessel, when to abandon a vessel, how to react safely and efficiently to an onboard emergency, making practice drills more realistic and efficient, etc. These regulations replace the *Boat and Fire Drill and Means of Exit Regulations*.

### 6. The Government of Canada introduces new regulations for small vessels

On May 17, 2010, the Government of Canada introduced updated *Small Vessel Regulations* pertaining to new requirements for safety equipment and operational safety practices for small vessels. The updated regulations: reflect best practices for small commercial vessel safety and guided excursions; make the certification process for small non-pleasure vessels simpler and extend it to manufacturers and importers; make compliance easier without compromising safety; and allow 90 days to transfer licences between owners by mail, during which time new owners are permitted to operate their pleasure craft. The regulations also provide for harmonization of standards.

### 7. The Asia-Pacific Gateway: Key to strengthening our relations with China

On May 19, 2010, the Honourable Stockwell Day, President of the Treasury Board and Minister for the Asia-Pacific Gateway, concluded a visit to China where he promoted the Asia-Pacific Gateway as the fastest way for Chinese exporters to ship from factory floors to North American stores. He said Canadian banks should not be punished with a global bank tax. He also talked about how Canadian ports, airports and railways have found more efficient ways to move containers into the heartland of North America more quickly.

### 8. Solving the riddle of empty repositioning

With the great benefits that have arisen with using containers also came a cost, empty containers. It's estimated that 20 percent of containers on the high seas at any given moment are traveling empty. Drewry Shipping Consultants estimated that this costs about \$7 billion a year to the global logistics community. Solving this problem is not easy and one of the most common ideas has been to fold empty containers to minimize their footprint. While this may reduce the cost of moving these empty containers, it does not solve the problem. It has been suggested that exporters and importers talk to find ways to reduce the imbalance in trade flows.

### 9. Government of Canada invests in two ferries for Marine Atlantic Inc.

Government and other officials reached an agreement with Stena Group of Companies to charter two new vessels in late May 2010 for Marine Atlantic Inc. (MAI). These vessels will significantly improve MAI's ability to provide on-time,

## Marine Transportation

### **CANADA**

1. Halifax Port announces strategy to improve efficiencies, April 29, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)
2. Maersk Line announces new weekly call at Halifax, May 3, 2010, [www.cfl.ca](http://www.cfl.ca)
3. Cumulative containerized traffic summary First Quarter (metric tonnes and TEUs), May 3, 2010, [www.portofmontreal.ca](http://www.portofmontreal.ca)
4. Port Metro Vancouver Accumulated Container Traffic Report Y-T-D April 2010, May 12, 2010, [www.portvancouver.com](http://www.portvancouver.com)
5. Government of Canada introduces new regulations to protect passengers and crew aboard vessels, May 14, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
6. The Government of Canada introduces new regulations for small vessels, May 17, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
7. The Asia-Pacific Gateway: Key to strengthening our relations with China, May 19, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Solving the riddle of empty repositioning, May 20, 2010, [www.todaystrucking.com](http://www.todaystrucking.com)
9. Government of Canada invests in two ferries for Marine Atlantic Inc., May 21, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
10. Ships Lighten Seaway Loads, May 21, 2010, [www.joc.com](http://www.joc.com)
11. Impact Study Confirms Prince Rupert a Growing Economic Force in Western Canada, May 21, 2010, [www.rupertport.com](http://www.rupertport.com)

reliable service and meet the increasing traffic demand between North Sydney, and Newfoundland and Labrador. MAI was to receive \$175 million over the next two years to help renew its fleet and shore facilities, and improve the quality and reliability of its services in the 2010 Budget. MAI, a federal Crown corporation, provides a vital link between Newfoundland and Labrador, and Nova Scotia. As an extension of the Trans-Canada Highway, Marine Atlantic's ferry services support tourism, and the import and export of goods. In 2009, an estimated 27 per cent of all passengers, 50 per cent of all freight and 90 per cent of all perishable goods between the Island of Newfoundland and the Canadian mainland were carried by Marine Atlantic.

#### **10. Ships Lighten Seaway Loads**

In the week of May 21, 2010, the Canadian International Freight Forwarders Association said lower-than-normal water levels in the Montreal area of the St. Lawrence Seaway are forcing oceangoing container ships to lighten their loads, exacerbating an already tight capacity situation.

#### **11. Impact Study Confirms Prince Rupert a Growing Economic Force in Western Canada**

A study by InterVistas Consulting Inc. shows that Prince Rupert is a growing economic force in Western Canada. Port related activities are contributing \$280 million to the gross domestic product and \$500 million in economic activities for regional and provincial activities. It is also adding 2,720 full time jobs, \$150 million in wages and \$35 million in taxes.

### **RAIL TRANSPORTATION**

#### **1. Consultations: review of the *Railway Interswitching Regulations***

The Canadian Transportation Agency (the Agency) is soliciting comments as part of its review of the *Railway Interswitching Regulations* (the Regulations). The second round of these consultations extends until May 21, 2010.

#### **2. Canadian rail carloadings rise in Canada**

The volume of cargo carried by Canadian railways increased in February 2010, as both commodity loadings in Canada and traffic received from the US rose, according to a report from Statistics Canada. Total freight traffic originating in Canada and received from the US increased to 21.9 million metric tonnes in February 2010, up 6.2% from February 2009. Intermodal freight loadings, transported through containers and trailers loaded onto flat cars increased 2.8% to 1.9 million metric tonnes in February, compared with the same month the previous year.

#### **3. CN declares second-quarter 2010 dividend**

On April 26, 2010 CN announced the approval of a second-quarter 2010 dividend on the Company's common shares outstanding. A quarterly dividend of 27 cents (C\$0.27) per common share will be paid on June 30, 2010, to shareholders of record at the close of business on June 9, 2010.

#### **4. CN reports Q1-2010 net income of C\$511 million, or C\$1.08 per diluted share**

The Highlights of CN's first quarter results for 2010 were: net income increased 21 per cent from the year-earlier quarter to C\$511 million, with diluted earnings per share (EPS) rising 20 per cent to C\$1.08. The results included an after-tax gain of C\$131 million, or C\$0.28 per diluted share, from a rail-line sale to a Toronto-area transit agency. Excluding the gain on the rail-line sale, CN reported adjusted diluted first-quarter 2010 EPS of C\$0.80, compared with adjusted diluted EPS of C\$0.64 for the same quarter of 2009. Revenues increased six per cent to C\$1,965 million, while carloadings rose 16 per cent and revenue ton-miles increased 14 per cent. Operating income increased 25 per cent to C\$603 million. CN's operating ratio was 69.3 per cent, compared with an adjusted operating ratio of 71.7 per cent for first-quarter 2009. Free cash flow increased to C\$493 million from C\$207 million for the year-earlier period. Claude Mongeau, president and CEO, said: "I am very pleased with CN's first-quarter results in terms of both earnings growth and free cash flow generation. We delivered a solid winter operating performance, allowing us to accommodate increased freight volumes at low incremental cost and significantly improving service to help our customers take advantage of the stronger than expected economic recovery."

#### **5. Canadian Pacific announces first-quarter results**

#### **Rail Transportation**

#### **CANADA**

1. Consultations: review of the Railway Interswitching Regulations, April 29, 2010, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
2. Canadian rail carloadings rise in Canada, April 29, 2010, [www.ctl.ca](http://www.ctl.ca)
3. CN declares second-quarter 2010 dividend, April 26, 2010, [www.cn.ca](http://www.cn.ca)
4. CN reports Q1-2010 net income of C\$511 million, or C\$1.08 per diluted share, April 26, 2010, [www.cn.ca](http://www.cn.ca)
5. Canadian Pacific announces first-quarter results, April 28, 2010, [www.cpr.ca](http://www.cpr.ca)
6. CP expects continued rebound in Asian demand, April 28, 2010, [www.globemail.ca](http://www.globemail.ca)
7. CP Rail shares on the move, April 30, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
8. Canadian Transportation Agency Announces Increase in Revenue Cap Inflation Factor for Crop Year Starting August 1, April 30, 2010, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
9. CITA asks the Rail Service Review Panel to re-balance shipper-railway relationship, [www.ctl.ca](http://www.ctl.ca)
10. CSXT, Delaware and Hudson propose joint use arrangement for improved service, April 29, [www.cpr.ca](http://www.cpr.ca)
11. Vancouver port highlights rail importance for panel, May 4, 2010, [www.todaystrucking.ca](http://www.todaystrucking.ca)
12. CN signs voluntary mitigation agreement (VMA) with Village of Barrington Hills, Ill., May 3, 2010, [www.cn.ca](http://www.cn.ca)
13. Rockefeller Promises Rail Reform This Year, May 5, 2010, [www.joc.com](http://www.joc.com)
14. Union Station Renovation Will Benefit GO Commuters, May 4, 2010, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)

Canadian Pacific Railway Limited announced its first-quarter results on April 28, 2010. Net income in the first-quarter was \$100 million, an increase of 74 per cent from \$57 million in first-quarter 2009 and diluted earnings per share were \$0.59, up from \$0.36 in first-quarter 2009. Compared to the first quarter of 2009, the 2010 first quarter results were: total revenues were \$1.2 billion, up five per cent from \$1.1 billion; operating expenses were \$962 million, down two per cent from \$977 million ; operating income increased to \$205 million from \$132 million, or 55 per cent operating ratio improved 570 basis points to 82.4 per cent; diluted earnings per share increased to \$0.59 from \$0.36, or 64 per cent ; and adjusted diluted earnings per share increased to \$0.60 from \$0.32, or 88 per cent. Fred Green, President and CEO said "We put in a solid performance this quarter and our results reflect both improvements in the economy and CP's proven ability to rapidly adjust to changes in our customers' demands."

## 6. CP expects continued rebound in Asian demand

CP is forecasting a first-half rebound in Asian demand for commodities, overcoming weakness in European trade. It expects business to be brisk this year at the Port of Vancouver, though the recovery will not be even. Healthy carload traffic for bulk commodities destined for Asia – including grain, coal and fertilizer such as potash – helped lift CP's first-quarter profit by 74 per cent to \$99.8-million, beating analysts' expectations. The country's second-largest railway saw its revenue rise 5 per cent to \$1.17-billion.

## 7. CP Rail shares on the move

CP shares are on the move, as the Street shower's the country's second biggest railroad with praise following better-than-expected second quarter earnings. It closed at \$60 a new 52 week high. An RBC analyst maintains a high outperform rating and raised his price target to \$70 from \$65. He said he expects substantial upward earnings revisions, leaving his "street-high" 2011 estimate of \$4.66 unchanged.

## 8. Canadian Transportation Agency Announces Increase in Revenue Cap Inflation Factor for Crop Year Starting August 1

The Canadian Transportation Agency announced on April 30, 2010 a 7% increase in the Volume-Related Composite Price Index (VRCPI) to be used to establish Canadian National Railway and Canadian Pacific Railway revenue caps for the movement of Western grain. This Decision No. 159-R-2010 sets the index at 1.1384 for the upcoming 2010-2011 crop year beginning August 1. The increase is a result of an increase in fuel prices. For the previous year the VRCPI fell by 7%. The caps are calculated using a formula containing numerous factors which are established by the *Canada Transportation Act*.

## 9. CITA asks the Rail Service Review Panel to re-balance shipper-railway relationship

According to the Canadian Industrial Transport Association (CITA) the imbalance in the bargaining power between the railways and shippers is the cause of the uncompetitive market for rail shippers. In its submission to the Review Panel, it believes that some of the existing provisions in the Act need to be strengthened to re-balance shipper-railway relationship. It makes ten recommendations. Its submission can be found on [www.cita-acti.ca](http://www.cita-acti.ca)

## 10. CSXT, Delaware and Hudson propose joint use arrangement for improved service

CSX Transportation, Inc. and Canadian Pacific's subsidiary Delaware & Hudson Railway Company, have filed an application with the Surface Transportation Board (STB) for regulatory approval of a joint use arrangement that improves operating efficiency for both.

## 11. Vancouver port highlights rail importance for panel

The Port of Vancouver in its submission to the Transport Canada Rail Freight Service Review Panel, called for an implementation of a commercial approach to defining, measuring, monitoring and ensuring a high level of rail service. It includes: 1) developing and implementing service agreements; 2) providing a commercial dispute resolution mechanism to address problems; 3) expanding the use of rail assets and networks through commercially negotiated co-production agreements; and 4) implementing independent monitoring to evaluate and report on performance. If this approach fails, the port calls for a more wide ranging review of the regulatory environment. The port also recommends

15. Sen. Kohl Insists on Antitrust Change, May 5, 2010, [www.joc.com](http://www.joc.com)
16. Canada Dispatchers Ratify CN Rail Accord, May 10, 2010, [www.joc.com](http://www.joc.com)
17. CN Rail Arranges Carbon Offset Protocol, May 12, 2010, [www.joc.com](http://www.joc.com)
18. CN announces plan to buy back shares through private agreements, May 17, 2010, [www.cn.ca](http://www.cn.ca)
19. B.C. government devalued rail in order to sell, court hears, May 20, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
20. Rail Intermodal Heats Up, But Carloads Cool, May 20, 2010, [www.joc.com](http://www.joc.com)
21. Defence makes BC Rail case about Campbell, May 20, 2010, [www.nationalpost.ca](http://www.nationalpost.ca)
22. Canadian Pacific Railway Limited announces dividend increase and additional capital investment, May 20, 2010, [www.cpr.ca](http://www.cpr.ca)
23. Canadian Pacific Boosts 2010 Spending Plans, May 24, 2010, [www.joc.com](http://www.joc.com)

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1. [North American] Freight Volume Expands Again for Large Railroads, April 29, 2010, [www.joc.com](http://www.joc.com)
2. Intermodal market share sets record in Q1, May 10, 2010, [www.ctl.ca](http://www.ctl.ca)
3. Domestic Intermodal Soars 35 Percent at NS, May 13, 2010, [www.joc.com](http://www.joc.com)

amending the *Canada Transportation Act* to confirm that port authorities and terminals can bring a complaint before the agency. It also calls for expanding the existing Level of Services provisions to support adequate, consistent, reliable and cost-effective rail services.

#### **12. CN signs voluntary mitigation agreement (VMA) with Village of Barrington Hills, Ill.**

CN announced on May 3, 2010 that it has reached a voluntary mitigation agreement with the Village of Barrington Hills, Ill., to address the municipality's environmental and safety concerns with CN's acquisition of the Elgin, Joliet and Eastern Railway Company (EJ&E). This is CN's 22 VMA with the 33 communities situated on the EJ&E in Illinois and Indiana.

#### **13. Rockefeller Promises Rail Reform This Year**

U.S. rail customers got a strong support message from Sen. Jay Rockefeller, D-W.Va., who said "I am committed" to getting a shipper-friendly rail regulatory overhaul bill passed this year.

#### **14. Union Station Renovation Will Benefit GO Commuters**

The McGuinty Government is making public transit better. The GO terminal at Toronto's historic Union Station is undergoing a major transformation. This renovation will create 2,000 jobs.

#### **15. Sen. Kohl Insists on Antitrust Change**

Sen. Herb Kohl, D-Wis. said pending legislation in the Senate to add shipper-friendly competition rules on the rail industry won't move ahead unless it also strips railroads of exemptions they enjoy from antitrust law. The bill that was approved in December 2009 by the Judiciary Committee but did not have the antitrust provisions. However, a deal was made at that time to add the antitrust provisions back to the bill before it went to Senate. There is opposition to this version of the bill by the industry but shippers favour it. Many of the complaints by the shippers can only be dealt with by the US Surface Transport Board but shippers say that the process operates in favour of the railroad industry. Kohl said his office continues to work with Rockefeller's staff on how best to repeal "this special and undeserved immunity the railroad industry has from antitrust law."

#### **16. Canada Dispatchers Ratify CN Rail Accord**

Train dispatchers in Canada for Canadian National Railway have ratified a three-year labour contract for the period 2009-2011. It includes a retroactive wage hike for 2009 of 1.8 percent, plus a 2.4 percent increase in 2010 and 2.6 percent in 2011.

#### **17. CN Rail Arranges Carbon Offset Protocol**

Canadian National Railway worked out a "modal shift protocol" with a British Columbia firm that markets carbon offsets, to count freight that shifts off trucks onto rail. A modal shift protocol is a powerful tool for shippers seeking ways of reducing GHG emissions, and will simultaneously help to reduce heavy truck activity on highways.

#### **18. CN announces plan to buy back shares through private agreements**

CN announced on May 17, 2010 that it intends to purchase for cancellation up to three million of its common shares pursuant to private agreements between CN and an arm's-length third-party seller. The purchase(s) will form part of CN's 15-million share repurchase program announced on Jan. 26, 2010.

#### **19. B.C. government devalued rail in order to sell, court hears**

The British Columbia government has been accused of a conspiracy to devalue a provincially owned railway, BC Rail in order to justify its sale to CN.

#### **20. Rail Intermodal Heats Up, But Carloads Cool**

The Association of American Railroads said intermodal container and trailer loadings swelled to 273,059 new shipments at 13 major carriers in the U.S., Canada and Mexico during the week ended May 15, from 260,615 the prior week.

#### **21. Defence makes BC Rail case about Campbell**

As the BC rail case is about to proceed to the B.C. Supreme Court, the rumours outside the court are who is on trial. Three men in the dock who are alleged to have committed fraud, breach of trust and money laundering in regards to the \$1-billion sale of BC Rail, or Premier Gordon Campbell and members of his inner circle.

#### **22. Canadian Pacific Railway Limited announces dividend increase and additional capital investment**

The Board of Directors of Canadian Pacific Railway Limited on May 20, 2010 declared an increase in CP's next quarterly dividend to twenty seven cents (Canadian) per share on the outstanding Common Shares. This is an increase from twenty-four and three quarter cents per share.

#### **23. Canadian Pacific Boosts 2010 Spending Plans**

Canadian Pacific Railway plans to spend and is raising \$66 million on capital improvements in 2010, for a new spending program that ranges between \$708 million and \$756 million. Its chief financial officer said "The improving economy, our strong balance sheet, and solid earnings and free cash flows have enabled us to expand our capital programs to take advantage of growth and productivity opportunities."



## HIGHWAY TRANSPORTATION

### 1. Canada announces another step to fast-track the new Windsor-Detroit border crossing

Canada's Transport Minister John Baird announced on April 29, 2010 an increase in its financial participation as an important step to fast-track the construction of a new bridge at the Windsor-Detroit border crossing. This crossing is the busiest commercial crossing in North America.

### 2. February 2010 North American Surface Trade with Canada and Mexico Rose 24.1 Percent from February 2009

U.S.–Canada surface transportation trade totalled \$36.3 billion in February 2010, up 21.7 percent compared to February 2009. The value of imports carried by truck was 6.4 percent higher in February 2010 compared to February 2009, while the value of exports carried by truck was 23.5 percent higher during this period. Michigan led all states in surface trade with Canada in February 2010 with \$5.2 billion. Trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 24.1 percent higher in February 2010 than in February 2009, reaching \$59.5 billion.

### 3. Setting National Fuel Economy Standards for Trucks Requires Understanding of Industry Complexities, Uniqueness

Canada's Minister of Environment, the Honourable James Prentice, on April 27, 2010 indicated through the media that the Government of Canada, perhaps in conjunction, or at least consistent, with the federal government of the United States, will be unveiling draft regulations to introduce new fuel economy standards for heavy commercial vehicles. The Canadian Transportation Association indicated that while it is not opposed to such an approach indicated that such national standards require understanding the complexities of the industry. In brief, it indicated three areas of concern: first, the trucking industry is not a homogeneous entity and a one size approach fits all will not work; second, the industry falls under provincial jurisdiction which makes it difficult to set national standards; and third, the Canadian trucking industry could be placed at a competitive disadvantage compared to US carriers and ultimately, shippers could be negatively impacted.

### 4. Canada Offers \$550 Million toward New Bridge

Federal Transport Minister Canada (John Baird) offered the state of Michigan an additional \$550 million to get its legislature to give final approval to the building of the controversial new bridge between Detroit and Windsor, Ontario. The total cost of the project is expected to be \$5.3 billion. Baird said this one crossing sees more than 8,000 trucks and 68,000 travelers daily, handling almost 30 percent of all Canada-U.S. trade per year. In the next 30 years, truck traffic along this corridor is expected to triple

and vehicle traffic will double.

### 5. Ambassador Bridge owner to challenge new link

The U.S. billionaire who owns the Ambassador Bridge will be filing a court challenge against Ottawa's plans to lend \$550-million (U.S.) to Michigan. He argues that Canada has breached the North American free-trade agreement.

### 6. Gas Tax Fuels Better Public Transit

Ontario's Gas Tax Program is getting more people out of their cars and onto public transit. In 2010, 93 municipal transit systems will share \$316 million in gas tax funding. This investment will help purchase more conventional and specialized accessible transit vehicles, add more routes, extend hours of service, and upgrade transit infrastructure. Since 2003, the McGuinty government has invested approximately \$9.3 billion in municipal public transit system.

### 7. Canadian Truck Rates, Surcharges Rising

Truck rates paid by Canadian shippers increased in February 2010, rising from a 1.6 percent decline in January 2010, according to the Canadian General Freight Index. The increase in the index supports claims that transportation costs in North America are starting to rise as economic recovery gains momentum both in Canada and the United States.

### 8. Progress Still Needed at Border says CTA CEO

The CEO of the Canadian Trucking Alliance (CTA), David Bradley, said that governments have not lived up to the bargain with the trade community. They were told if they invested in enhanced border security, the payback would be in quick and easy border crossings. There has been some progress; the Free and Secure Trade Program and Automated Commercial Environment. However, for the most part there has seen a layering of border security programs and piling

## Highway Transportation

### CANADA

1. Canada announces another step to fast-track the new Windsor-Detroit border crossing, April 29, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
2. February 2010 North American Surface Trade with Canada and Mexico Rose 24.1 Percent from February 2009, April 29, 2010, [www.dot.gov](http://www.dot.gov)
3. Setting National Fuel Economy Standards for Trucks Requires Understanding of Industry Complexities, Uniqueness, April 27, 2010, [www.cantruck.ca](http://www.cantruck.ca)
4. Canada Offers \$550 Million toward New Bridge, April 30, 2010, [www.joc.com](http://www.joc.com)
5. Ambassador Bridge owner to challenge new link, May 3, 2010, [www.globeandmail.ca](http://www.globeandmail.ca)
6. Gas Tax Fuels Better Public Transit, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
7. Canadian Truck Rates, Surcharges Rising, May 3, 2010, [www.joc.com](http://www.joc.com)
8. Progress Still Needed at Border says CTA CEO, May 4, 2010, [www.ontruck.ca](http://www.ontruck.ca)
9. Government partnership moves forward with Calgary Transit projects, May 7, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
10. Government of Canada launches public consultation on quadricycles in Canada, May 7, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
11. OTA Leading Fight in Michigan for New Windsor-Detroit Crossing, May 6, 2010, [www.ontruck.org](http://www.ontruck.org)
12. Government of Canada introduces toughest-ever testing standards for child car seats, May 13, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
13. Canada's Transport Minister issues statement regarding a new Windsor-Detroit crossing, May 17, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
14. Canadian Trucking Alliance Looks forward to Working with Government on GHG Regulations "The devil is in the details", May 21, 2010, [www.cantruck.ca](http://www.cantruck.ca)

### US

1. Transportation Companies Recovering Slowly, April 29, 2010, [www.joc.com](http://www.joc.com)
2. [Cass] Freight Index Jumps 12.9 Percent, May 3, 2010, [www.joc.com](http://www.joc.com)
3. Freight Transportation Services Index (TSI) Rose 0.9% in March from February, May 12, 2010, [www.dot.gov](http://www.dot.gov)
4. U.N. and International Officials Launch Global Effort to End Distracted Driving, May 19, 2010, [www.dot.gov](http://www.dot.gov)

on by several agencies of government.

### **9. Government partnership moves forward with Calgary Transit projects**

Government and other officials on May 7, celebrated the start of construction on nine Calgary Transit projects. These projects will increase efficiency and expand capacity of the transit system while creating jobs in Calgary. They will cost approximately \$270 million and the Government of Canada is contributing up to one-third of the total eligible costs, to a maximum of \$90 million.

### **10. Government of Canada launches public consultation on quadricycles in Canada**

On May 7, 2010, the Government of Canada announced that a new public consultation paper will be published to consider the importation and distribution of motor quadricycles for on-road use. The government will receive submissions to permit its importation.

### **11. OTA Leading Fight in Michigan for New Windsor-Detroit Crossing**

OTA has been appearing before legislative committees, meeting with individual legislators, speaking out in the Michigan and Canadian media; doing everything they can before June 1 to ensure that the Michigan Legislature makes the right decision and gives its approval for proceeding with the Detroit River International Crossing proposal.

### **12. Government of Canada introduces toughest-ever testing standards for child car seats**

The Government of Canada has introduced stringent new testing standards to ensure children have the best protection possible while travelling on the roads. Child car seats sold in Canada should first have rigorous and thorough testing completed by the manufacturer. In addition, Canada is raising the standards.

### **13. Canada's Transport Minister issues statement regarding a new Windsor-Detroit crossing**

Transport Canada in a statement on May 17, 2010 said "The Government of Canada is fully dedicated to the Windsor-Detroit bridge project, along with our partners. We want the State of Michigan to be fully ready too."

### **14. Canadian Trucking Alliance Looks forward to Working with Government on GHG Regulations**

**"The devil is in the details"**

The Canadian Trucking Alliance responded positively to the announcement on May 21, 2010 by Environment Minister Jim Prentice that the governments of Canada and the United States will undertake the process of developing new greenhouse gas emission regulations for heavy duty trucks. This will help eliminate the fuel efficiencies lost by heavy trucks and since fuel is either the first or second leading cost for a trucking company, a regulation designed to reduce this cost should be welcomed. But the problems will be in the details.

## **GENERAL**

### **1. Minister Day oversees new port agreement to attract Asia-Pacific Gateway business**

An agreement between Winnipeg's CentrePort Canada and Chongqing's Cuntan Port in China was signed to attract Asia-Pacific Gateway business. This agreement between the two inland ports will support increased trade and investment in Canada and China.

### **2. Travel between Canada and other countries [March 2010]**

Canadian travel to the United States and overseas countries rose 3.6% in March 2010 from the previous month, while travel to Canada from abroad declined 3.7% for the same period. Canadian residents took 690,000 trips to overseas destinations in March 2010, a 1.8% increase from February 2010. Residents of overseas countries took 368,000 trips to Canada in March, down 0.7% from February.

### **3. Canada promotes innovation as president of the 2010 International Transport Forum**

On May 18, 2010, the Honourable Rob Merrifield, Minister of State (Transport), officially launched Canada's presidency of the 2010 International Transport Forum. The theme of forum to be held at the end of May 2010 is Transport and Innovation: Unleashing the Potential. He said "Innovation in the transportation sector helps Canada achieve many of our objectives relating to the environment, the economy, safety and security, and resource efficiency."

### **4. Minister Day strengthens transportation ties with Japan**

On May 21, 2010, the Honourable Stockwell Day, President of the Treasury Board and Minister for the Asia-Pacific Gateway, concluded his visit to Japan where he advanced the Canada-Japan relationship and promoted the use of Canada's Asia-Pacific Gateway to the Japanese government

## **General**

### **Canada**

1. Minister Day oversees new port agreement to attract Asia-Pacific Gateway business, May 18, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
2. Travel between Canada and other countries, May 19, 2010, [www.statcan.gc.ca](http://www.statcan.gc.ca)
3. Canada promotes innovation as president of the 2010 International Transport Forum, May 18, 2010, [www.tc.gc.ca](http://www.tc.gc.ca)
4. Minister Day strengthens transportation ties with Japan, May 21, [www.tc.gc.ca](http://www.tc.gc.ca)

Publications

1. The Airport Voice, News and Views, April-May Newsletter, Canadian Airports Council, [www.cacairports.ca](http://www.cacairports.ca)

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