

Transportation Information Update*

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Air Transportation

1. American Airlines and Canada's WestJet Airlines announce comprehensive codesharing and frequent flier relationship

American Airlines and WestJet Airlines have announced a comprehensive codesharing and frequent flier agreement. This agreement if approved will allow American Airlines to use WestJet's code and WestJet Airlines to use American's code providing air travellers with more choice and greater connectivity when flying in the US and Canada. Flyers on either airline will be able to earn air miles or rewards.

2. Airline sell-off overdone

With the rise in oil prices there has been a dramatic sell off of airlines shares. This is not surprising as fuel costs account for approximately 30% of the operating costs of airlines. An analyst says that this may be an opportunity for investors. Both airlines stocks are rated as buys.

3. DOJ Confirms Parcel Antitrust Probe

On March 1, 2011, the US Justice Department indicated that it is investigating possible anti-competitive behavior in the time-sensitive parcel market, a department spokeswoman confirmed. UPS and FedEx said they were being investigated. According to published reports, UPS and FedEx conspired to prevent shippers from using the services of third-party rate negotiators in contract talks.

4. Outlook Downgraded to \$8.6 Billion - High Oil Price Cuts Airline Profits by Almost 50%

Given the unrest in the Mideast and the high price of oil, the International Air Transport Association (IATA) downgraded its airline industry outlook for 2011 to \$8.6 billion from the \$9.1 billion it estimated in December 2010. This is a 46% fall in net profits compared to the \$16 billion (revised from \$15.1 billion) earned by the industry in 2010. On expected industry revenues of \$594 billion, the \$8.6 billion 2011 profit equates to a net profit margin of 1.4%.

5. Bombardier wins record private jet deal

Bombardier's first contract with NetJets for 50 Bombardier jets worth \$2.8 billion is a key endorsement of Bombardier's new business aircraft. It is also a sign that NetJets believes the business jet market is coming back after taking a major hit during the recession.

6. WestJet, Porter report higher passenger travel

WestJet Airlines and regional carrier Porter Airlines both enjoyed a year-over-year increase in traffic in February 2011, with WestJet reporting a record load factor of 83.6 per cent for the month. Porter Airlines said it improved its year-over-year February load factor by 4.1 points to 50.6 per cent, based on 80.7 million available seat miles, up 18.5 per cent from 68.1 million a year ago. Revenue passenger miles grew by 28.7 per cent to 40.8 million from 31.71 million.

7. WestJet reports record February load factor of 83.6 percent

WestJet reported a record February 2011 load factor of 83.6%, 1.1 points above the load factor for February 2010. Its available seat miles and

Current Developments in Brief AIR TRANSPORTATION Canada

1. American Airlines and Canada's WestJet Airlines announce comprehensive codesharing and frequent flier relationship, February 28, 2011, www.westjet.ca
2. Airline sell-off overdone, March 1, 2011, www.nationalpost.ca
3. DOJ Confirms Parcel Antitrust Probe, March 1, 2011, www.joc.com
4. Outlook Downgraded to \$8.6 Billion - High Oil Price Cuts Airline Profits by Almost 50%, March 2, 2011, www.iata.org
5. Bombardier wins record private jet deal, March 2, 2011, www.globeandmail.ca
6. WestJet, Porter report higher passenger travel, March 3, 2011, www.globeandmail.ca
7. WestJet reports record February load factor of 83.6 percent, March 3, 2011, www.westjet.ca
8. Air Canada to start flying out of Toronto Island airport, March 4, 2011, www.globeandmail.ca
9. Air Canada adds fuel surcharge on U.S. flights, March 4, 2011, www.globeandmail.ca
10. Air Canada reports February Traffic, March 5, 2011, www.aircanada.ca
11. Domestic air fares set to rise with tight seat capacity, March 3, 2011, www.globeandmail.ca
12. WestJet flights named best in Canada, March 7, 2011, www.westjet.ca
13. Action to Improve Air Cargo Competitiveness, March 8, 2011, www.iata.org
14. Air Canada piles on the perks at Billy Bishop airport, Mar 8, 2011, www.globeandmail.ca
15. Air Canada Provides Update to Boeing 787 Delivery Schedule, Mar. 8, 2011, www.aircanada.ca
16. Cargo Services Conference adopts measures to strengthen supply chain, March 10, 2011, www.iata.org
17. Sunwing soars into Transat's territory, March 10, 2011, www.globeandmail.ca

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to-date consumer demand has been strong which has supported the fare increases needed to offset rising fuel costs.”

8. Air Canada to start flying out of Toronto Island airport

Air Canada will start flying from Billy Bishop Toronto City Airport on May 1, 2011. This will put the carrier in direct competition with Porter Airlines Inc.

9. Air Canada adds fuel surcharge on U.S. flights

Air Canada has introduced fuel surcharges on its Canada-U.S. flights, seeking to combat soaring oil prices. The fuel surcharge is \$10 on economy flights and \$15 on executive cabin.

10. Air Canada reports February Traffic

For the month of February 2011, Air Canada reported a system load factor of 75.9 per cent, versus 78.4 per cent in February 2010, a decrease of 2.5 percentage points. System traffic increased by 3.7 per cent on a system-wide capacity increase of 7.1 per cent.

11. Domestic air fares set to rise with tight seat capacity

Air Canada and WestJet have raised air capacity marginally since last July and August still cautious after the recession of 2009. Travel experts indicate that if travel increases this summer, airfares are likely to rise especially on some routes. It has already begun to rise on some of these routes and could rise as high as 50 percent. The increase in demand is expected to exceed the fall in demand due to higher airfares and higher fuel costs. It could also mean some more relief to the airline industry.

12. WestJet flight attendants named best in Canada

WestJet flight attendants were named the best in Canada in an annual poll conducted by the online travel website Flightnetwork.com

13. Action to Improve Air Cargo Competitiveness

Air transports 35% by value of goods traded internationally. The International Air Transport Association (IATA) therefore laid out an agenda for the air cargo value chain to improve its competitiveness with a four point agenda. “The air cargo value chain must offer better quality and improved efficiency with operations that are safer and even more secure,” said Giovanni Bisignani, IATA’s Director general and CEO, at the IATA World Cargo Symposium. In other words, he discussed how to improve: security, safety, service and efficiency (e-freight).

14. Air Canada piles on the perks at Billy Bishop airport

Air Canada is striving to match Porter Airlines Inc. at Billy Bishop Toronto City Centre Airport, offering everything from promotional airfares to free lounge access to complimentary in-flight beer and wine. Air Canada is seeking to entice corporate travellers to its new Toronto-Montreal service, which begins May 1, 2011 ending Porter’s monopoly on commercial flights at Billy Bishop.

15. Air Canada Provides Update to Boeing 787 Delivery Schedule

On March 8, Air Canada indicated that Boeing has notified it that the first five deliveries of its Boeing 787 aircraft, previously scheduled to be delivered in the second half of 2013, are now targeted for delivery during Q4, 2013 and the first half of 2014. This represents an average delay of between five and seven months from the previous schedule.

16. Cargo Services Conference adopts measures to strengthen supply chain

The IATA Cargo Services Conference, on March 10, 2011 adopted a number of measures at the World Cargo Symposium: A standard electronic and paper consignment (cargo & mail) security declaration; ULD (unit load device) operational standards related to loading and

18. Transat A.T.’s earnings outlook sinks, March 12, 2011, www.nationalpost.ca

19. WestJet announces appointment of Cheryl Smith, Executive Vice-President and Chief Information Officer, March 11, 2011, www.westjet.ca

20. WestJet celebrates 15 years with gifts to guests, March 15, 2011, www.westjet.ca

21. Air Canada Adjusts Capacity Outlook in Response to High Fuel Costs, March 16, 2011, www.aircanada.ca

22. Air Canada cuts routes as fuel prices sting, March 16, 2011, www.globeandmail.ca

23. Air Canada and Air Canada Pilots Association Reach Tentative Agreement on New Contract, March 18, 2011, www.aircanada.ca

24. Airports - Join Forces: How will airport alliances and buyouts affect airlines?, March 22, 2011, www.iata.org

25. WestJet provides relief to Japan relief efforts, march 23, 2011, www.westjet.ca

26. APD Freeze Is Good News For Britain - But UK Passengers Still Highest Taxed in the World, March 23, 2011, www.iata.org

27. Aircraft movement statistics: Major airports, March 25, 2011, www.statcan.gc.ca

28. Political Unrest Slows Global Growth, March 29, 2011, www.iata.org

29. American Airlines and Canada’s WestJet Airlines launch code share flights, March 29, 2011 www.westjet.ca

30. For Air Canada, 787 a game changer, March 30, 2011, www.globeandmail.ca

31. Air Canada Adopts Shareholder Rights Plan, March 30, 2011, www.aircanada.ca

32. Industry veteran prepares rival airline for takeoff against Porter, March 31, 2011, www.nationalpost.ca

temperature-sensitive label on all applicable shipments as of July 2012; and A new standard model agreement for postal operators and airlines to facilitate the transport of mail by air. Implementation of the above measures is subject to necessary government approvals and IATA certification.

17. Sunwing soars into Transat's territory

Sunwing Travel Group Inc. is planning an aggressive push into Europe, hoping to leverage its new-found partnership with U.K.-based TUI Travel PLC to bring as much competition to packaged tours and flights across the Atlantic in the summer as it has to Mexico and the Caribbean in winter. This will affect competitors such as Transat A.T. Inc. Sunwing will offer service from Toronto or Montreal to London, Paris, Porto, Lisbon, Rome, and Amsterdam using two leased 767s.

18. Transat A.T.'s earnings outlook sinks

A disappointing first quarter has caused analysts to downgrade Transat A.T. and to revise their earnings estimates. As a result, shares in the country's largest travel tour operator fell nearly 29% in trading on March 11, 2011. In addition, competition in the tour industry is also expected to have a significant impact on earnings in this market. Sunwing Travel Service, one of Transat's competitors, is planning an aggressive growth strategy in the European market this summer.

19. WestJet announces appointment of Cheryl Smith, Executive Vice-President and Chief Information Officer

WestJet announces the appointment of Cheryl Smith Executive Vice-President and Chief Information Officer on March 11, 2011. She has over 30 years of experience in information technology.

20. WestJet celebrates 15 years with gifts to guests

On March 15, 2011, WestJet began celebration of its 15th birthday with a seat sale giveaway to U.S., Mexico and Caribbean. WestJet will also giveaway one round trip for every two for fifteen days as part of its face book contest.

21. Air Canada Adjusts Capacity Outlook in Response to High Fuel Costs

Air Canada on March 16, 2011 announced a reduction in its previously communicated plans for 2011 system capacity growth in light of sustained high fuel costs. On February 10, 2011, Air Canada provided guidance that its 2011 system wide capacity growth would be in the 5.5% to 6.5% range versus 2010. In response to higher fuel prices, Air Canada now expects 2011 system wide capacity growth of 4.5% to 5.5% versus 2010.

22. Air Canada cuts routes as fuel prices sting

Air Canada is suspending a number of unprofitable routes and slashing planned seat capacity as it grapples with soaring fuel costs. This illustrates the sector's increasing willingness to make tough calls in order to protect profits. A number of U.S. airlines have made similar revisions recently.

23. Air Canada and Air Canada Pilots Association Reach Tentative Agreement on New Contract

Air Canada announced on March 18, 2011 that it has reached a tentative collective agreement with its Air Canada Pilots Association. The agreement has not yet been ratified.

24. Airports - Join Forces How will airport alliances and buyouts affect airlines?

Peter Forsyth, Professor of Economics at Monash University in Australia says "Airport alliances are not being driven by the same economic forces as airline alliances, ... The key motivation for airline alliances or mergers is to obtain network benefits or economies of scale, and therefore an increased market power." Forsyth believes that the principal motivation for airport integration appears to be increased coordination and the transfer of expertise between partners. The article examines: vertical integration; the advantages

US

1. [US] Long Tarmac Delays in January Down from Last Year, March 7, 2011, www.dot.gov
2. December 2010 [US] Airline System Traffic Up 2.9 Percent from December 2009, March 11, 2011, www.dot.gov
3. Agreement Reached to Expand Capacity at O'Hare and Foster Economic Growth Nationwide, March 14, 2011, www.dot.gov
4. January 2011 [US] Passenger Airline Employment Rose 0.4 Percent from January 2010, March 15, 2011, www.dot.gov
5. 2010 Traffic Data for U.S. Airlines and Foreign Airlines U.S. Flights: Total Passengers Up from 2009, Still Below 2008, March 22, 2011, www.bts.gov
6. U.S. airlines cut capacity to battle high fuel, March 22, 2011, www.globeandmail.ca
7. Infringement proceedings in the field of Air, Maritime and Land Transport, March 28, 2011, www.europa.eu
8. U.S.-Israel Open Skies Agreement Enters Into Force, March 31, 2011, www.dot.gov
9. UK Competition Commission Orders Stansted Sale, March 30, 2011, www.joc.com

of airport alliances; Quito Airport case study; and Poor Track Record. The vertical integration creates cost savings through shared resources and reduced capital expenditure but it is not known if it will be passed on to consumers. If the hubs are neighbours it will reduce competition says Dr Hans-Martin Niemeier. Learning and improving processes could be one aim of cooperation. There could be some sharing of technology, and knowledge relating to concessions and retail but Neimer doubts it could be significant. The advantages of airport alliances from other airports are also difficult to judge. It could result in an increase in efficiency and overbuilt infrastructures raising costs. Quito airport could be an example of the latter. However, the track record for airport alliances is mixed.

25. WestJet provides assistance to Japan relief efforts

WestJet is providing assistance to Japan relief effort by donating \$25, 000 to the Red Cross.

26. APD Freeze Is Good News For Britain - But UK Passengers Still Highest Taxed in the World

The International Air Transport Association (IATA) welcomed the UK Chancellor of the Exchequer's decision not to increase the Air Passenger Duty (APD), announced in his Budget Statement on March 23, 2011. IATA continues to urge the UK to commit to abandoning completely its APD—long touted as an environmental tax—if plans continue for aviation to join the EU Emissions Trading Scheme (ETS) in 2012. It collects four times more through it.

27. Aircraft movement statistics: Major airports

In 2010, the number of aircraft take-offs and landings at Canadian airports with NAV CANADA air traffic control towers and flight service stations fell by 3.4% compared to 2009.

28. Political Unrest Slows Global Growth

On March 29, 2011, the International Air Transport Association (IATA) announced scheduled international traffic for February 2011 showing increases of 6.0% and 2.3% respectively for passenger and cargo demand compared to February 2010. Political unrest in the Middle East was attributed for a revised downward projections.

29. American Airlines and Canada's WestJet Airlines launch code share flights

American Airlines and WestJet Airlines have launched a comprehensive code share agreement that will give passengers greater choice and connectivity on each others networks in Canada and US. Canadian passengers will also benefit from American's international network.

30. For Air Canada, 787 a game changer

Ottawa is being urged to protect Air Canada until it's Dreamliner fleet arrives. There has been a delay in delivery till late 2013 leaving a two-year window during which the airline will be vulnerable to Emirates' quest to obtain extra Canadian landing rights, according to one expert.

31. Air Canada Adopts Shareholder Rights Plan

Air Canada announced on March 30, 2011 that its Board of Directors (the "Board") has adopted a shareholder rights plan agreement (the "Plan") designed to foster fair treatment of all shareholders in connection with any take-over bid for Air Canada.

32. Industry veteran prepares rival airline for takeoff against Porter

Mr. Payson's Sky Regional Airlines Inc. surprised the industry last October by winning a high-profile contract to operate the new "Air Canada Express" service from Billy Bishop Toronto City Airport starting May 1. It beat other carriers such as Jazz Air to operate the flight (Toronto-Montreal) for Air Canada. It will offer Porter Airlines some competition from Billy Bishop Airport.

Water Transportation

1. Upper Lakes sells partnership interest in Seaway Marine Transport to Algoma

Upper Lakes Group Inc. has entered into a definitive agreement with Algoma Central Corporation to sell to Algoma its partnership interest in Seaway Marine Transport and related entities along with the vessels and assets owned by Upper Lakes Group and its affiliates and used by Seaway Marine in its Great Lakes - St. Lawrence Waterway dry-bulk freight business. If this agreement takes place there will only be two shipping companies (Algoma Central and CSL Group) compared to 15 thirty years ago. The purchase price under this transaction is \$85 million.

2. Prince Rupert Port Authority - Monthly Traffic Summary [February 2011]

Containerized cargo in terms of TEUs for the month of February 2011 indicate a 33.1% decline compared to the same period a year ago. Imports declined by 32.1% and exports declined by 34.5%. The total number of TEUs in February 2011 were 18,506.3.

3. Port Metro Vancouver - Accumulated Container Traffic Report - YTD February 2011

Total TEUs till the end of February 2011 for the Port Metro Vancouver was 391,875 a 14% increase compared to 344,374 in February 2010. Imports increased by 15% and exports by 12%.

4. DOJ Allows \$45 Million Fine as All Horizon Could Pay

The US Justice Department said it allowed Horizon Lines to pay a back-loaded \$45 million fine for price fixing in the Puerto Rico trade because a stiffer penalty would have threatened the carrier's viability.

5. Ocean carriers face record shortfall in containers

Maritime news service Alphaliner says ocean carriers will face a shortage of containers in the coming months as production of new boxes falls below growing demand.

6. Landmark agreement reached with Coast Tsimshian First Nations Aligns interest towards the Future Growth and Expansion of the Port of Prince Rupert

The Prince Rupert Port announced the conclusion of an agreement with the Coast Tsimshian Indians. It acknowledges that the Port territory falls within the traditional territory of the Coast Tsimshian people and guarantees their participation in the economic opportunities created through the development and opportunities of the Port of Prince Rupert.

WATER TRANSPORTATION Canada

1. Upper Lakes sells partnership interest in Seaway Marine Transport to Algoma, March 1, 2011, www.ctl.ca

2. Prince Rupert Port Authority - Monthly Traffic Summary [February 2011], Mar 1, 2011, www.rupertport.ca

3. Port Metro Vancouver - Accumulated Container Traffic Report - YTD February 2011, March 11, 2011, www.portmetrovancover.com

4. DOJ Allows \$45 Million Fine as All Horizon Could Pay, May 10, 2011, www.joc.com

5. Ocean carriers face record shortfall in containers, March 14, 2011, www.todaystrucking.com

6. Landmark agreement reached with Coast Tsimshian First Nations Aligns interest towards the Future Growth and Expansion of the Port of Prince Rupert, March 16, 2011, www.rupertport.ca

7. The Port of Halifax to welcome Cunard Line's Queen Elizabeth in 2011, March 21, 2011, www.portofhalifax.ca

8. Domestic and international shipping, March 23, 2011, www.statcan.gc.ca

9. St Lawrence Seaway Opens 53rd Season, March 24, 2011, www.joc.com

10. Panama Canal gets a revamp – and so does global trade, March 25, 2011, www.globeandmail.ca

US

1. [US] West Coast Container Volume Surges 13 Percent [January 2011], March 1, 2011, www.joc.com

2. Crane Productivity Drives Profit, SSA Exec Says, March 9, 2011, www.joc.com

7. The Port of Halifax to welcome Cunard Line's Queen Elizabeth in 2011

The Port of Halifax will welcome Cunard Line's Queen Elizabeth its newest luxury vessel this 2011 season along with 6 other inaugural calls by cruise vessels. The 2011 season begins on April 16th with the arrival of the *Princess Danae*. It will end in late October 2011.

8. Domestic and international shipping (January to December 2009)

Statistics Canada indicates that data on domestic and international shipping are now available for January to December 2009.

9. St Lawrence Seaway Opens 53rd Season

The Dutch ship Avonborg was the first vessel through the St. Lawrence Seaway when the system opened on March 23, 2011 for the 2011 navigation season, the 53rd season of operation. The St. Lawrence Seaway Management Corp., the system's Canadian-based operating company, said it expects a 7 percent increase in traffic, to a total 39.1 million metric tons driven by a steady flow of grain and iron ore. The

Canadian Wheat Board reported that it averages 3 million to 3.5 million metric tons of wheat through the seaway system.

10. Panama Canal gets a revamp – and so does global trade

The Panama Canal expansion involves an extra lane and two sets of locks, a \$5.25-billion expansion that will triple cargo capacity through the storied waterway. This will enable it to handle larger ships. Halifax could see more activity because its deep-water harbour can accommodate larger ships. More than 7.21 million long tons of cargo originating in Canada travelled through the Panama Canal in fiscal 2010, compared to 5.35 million in the previous year, making Canada the sixth-heaviest user of the canal for outgoing cargo. When cargo destined for the country is added, Canada was the 11th-heaviest user of the canal in 2010.

Rail Transportation

1. CP – TSI Service Level Agreement adds supply chain momentum

On March 2, 2011, Canadian Pacific and TSI Terminals Systems Inc., a subsidiary of GCT Global Container Terminals Inc., announced the signing of a Service Level Agreement that builds on their productivity and performance agreement announced in June 2010. TSI is the largest container terminal operator in Canada, handling more than 70 percent of the containerized cargo that moves through the Vancouver gateway. This is the sixth collaboration agreement announced by Canadian Pacific in the past 12 months.

2. Surprise executive departure prompts CP Rail downgrade

Chief operating officer, Ed Harris, of CP rail is retiring after a short tenure. CIBC World Markets Inc. analyst Jacob Bout is concerned that his departure could derail CP's efficiency plans, and downgraded the stock to "sector performer" from "sector outperformer." Some analysts are shifting their alliance to their rival CN.

3. Senate Panel Votes to End Rail's Antitrust Exemption

The Senate Judiciary Committee voted 14-1 to approve the Railroad Antitrust Enforcement Act, the latest effort by Sen. Herb Kohl, D-Wis., to strip rail firms of a limited exemption they now have from regular antitrust oversight. It would mean that railroads would have the same laws that apply to the rest of the economy giving those injured by anti-competitive conduct the same remedies under anti-trust laws.

4. Harris departure raises risk at CP Rail: RBC

The sudden departure of Ed Harris, executive vice-president of operations, from Canadian Pacific Rail has raised questions in the investment community. An analyst questions whether CP Rail will be able to deliver on efficiency. Harris brought in the 'First mile, last mile' policy and introduced efficiency in the rail yards in his eleven months on the job. It is reported that his task of introducing further efficiency was not complete and there is no evidence that his replacement will be adequate. So the analyst downgraded CP's shares.

5. Railcar Owners Take 12,457 Cars Out of Storage

The Association of American Railroads, said railcar owners in the U.S., Canada and Mexico took 12,457 units out of storage in February 2011, leaving the continent's idled fleet at 20.2 percent of all railcars available for service. The February drawdowns from the

RAIL TRANSPORTATION

Canada

1. CP – TSI Service Level Agreement adds supply chain momentum, March 2, 2011, www.cpr.ca

2. Surprise executive departure prompts CP Rail downgrade, March 3, 2011, www.globeandmail.ca

3. Senate Panel Votes to End Rail's Antitrust Exemption, March 3, 2011, www.joc.com

4. Harris departure raises risk at CP Rail: RBC, March 4, 2011, www.nationalpost.ca

5. Railcar Owners Take 12,457 Cars Out of Storage, March 8, 2011, www.joc.com

6. Norfolk, CN Rail top rail picks: RBC, Mar. 12, 2011, www.nationalpost.ca

7. Government of Canada acts to improve rail freight supply chain (Saguenay), March 18, 2011, www.tc.gc.ca

8. Speaking notes for the Honourable Jean-Pierre Blackburn, Minister of Veterans Affairs and Minister of State (Agriculture) – event announcing the government response to the Rail Freight Service Review, March 18, 2011, www.tc.gc.ca

9. Canadian Pacific agrees with government focus on supply chain, but increased regulation unwarranted, March 18, 2011, www.cpr.ca

10. CN critical of Rail Freight Service Review final report – encourages stakeholders to embrace a commercial approach, March 18, 2011, www.cn.ca

11. CITA backs Transport Canada's Rail Service Review finding that rail freight not a normally functioning market, March 21, 2011, www.ctl.ca

12. Canadian Pacific - Outlook for First Quarter 2011, March 21, 2011, www.cpr.ca

6. Norfolk, CN Rail top rail picks: RBC

In 2010, the railway sector was expected to do well from an investment standpoint due to strong volume growth. But with a slower growth in volume and lower margins on growth an analyst was of the opinion that rather than forecasting for the sector as a whole, forecast for individual companies are more meaningful. He accordingly recommended Norfolk and CN rail to investors as the two railway companies to outperform the other railways.

7. Government of Canada acts to improve rail freight supply chain (Saguenay) and (Winnipeg)

At an event held in Saguenay and Winnipeg on March 18, 2011, government officials, met with stakeholders from across the rail-based freight supply chain to announce the Government of Canada's response to the final report of the Rail Freight Service Review. They indicated that the government accepted the panel's commercial approach and intends to implement the following steps to improve the performance of the entire rail supply chain: initiate a six-month facilitation process with shippers, railways and other stakeholders to negotiate a template service agreement and streamlined commercial dispute resolution process; table a bill to give shippers the right to a service agreement to support the commercial measures; establish a Commodity Supply Chain Table, involving supply chain partners that ship commodities by rail, to address logistical concerns and develop performance metrics to improve competitiveness; and in collaboration with Agriculture and Agri-Food Canada, Transport Canada will lead an in-depth analysis of the grain supply chain to focus on issues that affect that sector and help identify potential solutions.

8. Speaking notes for the Honourable Jean-Pierre Blackburn, Minister of Veterans Affairs and Minister of State (Agriculture) – event announcing the government response to the Rail Freight Service Review

13. CP invests in North Dakota, expanding capabilities and resources, March 25, 2011, www.cpr.ca
14. Railway car loadings (January 2011), March 30, 2011, www.statcan.gc.ca
15. GO Transit On Track For Future Growth, March 30, 2011, www.mto.gov.on.ca
16. TTC declared essential service, union chief says won't be 'bullied' by Toronto, March 30, 2011, www.globeandmail.ca
17. Toronto Mayor Rob Ford's transit plan wins provincial approval, March 31, 2011, www.globeandmail.ca

US

1. U.S. Transportation Secretary Ray LaHood Makes \$2.4 Billion Available for High-Speed Rail Projects Across America, March 11, 2011, www.dot.gov
2. Infringement proceedings in the field of rail safety and air transport, March 14, 2011, www.europa.eu

In, 2008, the Government of Canada launched a comprehensive review of rail freight service in Canada. The panel submitted its report to the government in December 2010 and after careful consideration, the government is taking action to improve the supply-chain relationship. The government agrees with the recommendation that commercial solutions are the best course of action and encourages parties to go further by encouraging partners working together. It supported the panel's four key commercial measures, including: railways should provide 10 days' advance notice for service changes; railways and stakeholders should negotiate service agreements; a fair, timely and cost-effective commercial dispute resolution process should be established; and the reporting performance system should be enhanced. These measures will help improve commercial relationships among stakeholders and thereby also improve service. To help implement these measures, the government will appoint a facilitator. The facilitator will have two key functions. The first is to develop a template service agreement. The second is to develop a commercial dispute resolution process. To support this, a bill will be introduced providing shippers with a right to service agreements and a dispute resolution process where it is not successful. It will also launch two initiatives: Transport Canada will establish a new roundtable for industry stakeholders; and in collaboration with Agriculture and Agri-Food Canada, Transport Canada will lead an in-depth analysis of the grain transportation supply chain.

9. Canadian Pacific agrees with government focus on supply chain, but increased regulation unwarranted

On March 18, 2011, Canadian Pacific commended the Government of Canada for recognizing commercial principles are the key to improving the overall performance of Canada's world class supply chain, but cautioned that additional regulation for relationships outside of commercial agreements is

completely unwarranted.

10. CN critical of Rail Freight Service Review final report – encourages stakeholders to embrace a commercial approach

CN expressed serious concerns about: the final report of the Rail Freight Service Review panel; and the Government's response. It said that the Panel failed to indicate that rail service is quite good in Canada and failed to take into account recent developments. It accused the Panel of focusing on railways and going beyond its mandate by providing its opinion on railway competition. It said that it is pleased with the governments acceptance of commercial resolutions as the best solution but disappointed that legislation is still needed.

11. CITA backs Transport Canada's Rail Service Review finding that rail freight not a normally functioning market

The Canadian Industrial Transportation Association (CITA) said it "welcomes" the release of the final report of the Transport Canada Rail Freight Service Review panel and the "positive response" of the government to the recommendations of the panel. Bob Ballantyne, CITA President said "The actions that the government proposes will, if implemented carefully, provide a framework that will help re-balance the market power between the buyers and sellers in the rail freight market and lead to improved commercial relations".

12. Canadian Pacific - Outlook for First Quarter 2011

Canadian Pacific Railway on March 21, 2011 announced first quarter earnings for 2011 will be lower due to the impact of winter weather across the entire rail supply chain. The severity and length of winter events on our operations combined with the lag in fuel recoveries have reduced diluted earnings per share.

13. CP invests in North Dakota, expanding capabilities and resources

Canadian Pacific announced the investment of \$100 million in North Dakota between 2010 to 2012. The investment plan will expand network capacity and enhance rail service in order to meet increased traffic demands.

14. Railway car loadings (January 2011)

Canadian railways carried 23.1 million tonnes of freight in January 2011, up 4.9% from January 2010. Non-intermodal traffic rose to 18.8 million tonnes in January, up 5.4% compared with the same month last year. Intermodal freight loadings fell 2.9% from January 2010 to a little less than 2.0 million tonnes in January 2009.

15. GO Transit On Track For Future Growth

GO Transit will be able to improve train service and expand operations along the Lakeshore East line with the purchase of nearly 30 kilometres of rail tracks from Canadian National Railway. Metrolinx now owns 61 per cent of the rail corridors on which GO Trains run.

16. TTC declared essential service, union chief says won't be 'bullied' by Toronto

The Ontario government passed new legislation declaring the Toronto Transit Commission an essential service and banning its workers from walking off the job. Bill 150 passed third and final reading on March 30, 2011. The TTC union leader said because we do not have the right to vote the government should not think that they can push us around.

17. Mayor Rob Ford's transit plan wins provincial approval

The Ontario government will give the green light to Toronto Mayor Rob Ford's \$12.4-billion bid to completely bury a crosstown light-rail line while using private money to pay for two extensions to the city's Sheppard subway. The province will pay for the Eglinton line and other improvements.

HIGHWAY TRANSPORTATION

1. December 2010 Surface Trade with Canada and Mexico Rose 13.8 Percent from December 2009

According to the US Bureau of Transportation Statistics, trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 13.8 percent higher in December 2010 than in December 2009, reaching \$66.5 billion. For the complete year of 2010, trade was 24.3% higher than in 2009, reaching \$791.3 billion. However, this was still lower than the \$829.9 level reached in 2008. The monthly increase since the recession peaked in May 2010 (i.e., 39.5%) and has continuously fallen since then. U.S.–Canada surface transportation trade totalled \$39.8 billion in December 2010, up 12.2 percent compared to December 2009. The value of imports carried by truck was 17.7 percent higher in December 2010 compared to December 2009, while the value of exports carried by truck was 10.4 percent higher during this period.

2. Appointment to the Buffalo and Fort Erie Public Bridge Authority

On March 7, 2011, the Honourable Chuck Strahl, Minister of Transport, Infrastructure and Communities, announced the appointment of Ms. Valerie Beattie, of Fort Erie, Ontario, to the Buffalo and Fort Erie Public Bridge Authority for a three-year term.

3. Quarterly Trucking Survey [Third Quarter 2010]

Statistics Canada reports that trucking companies earned operating revenue of \$10.7 billion in the third quarter of 2010 which, after deducting operating expenses of \$9.3 billion, resulted in an operating profit of almost \$1.4 billion. This corresponds to an operating ratio of 0.870. Their operating profit (+\$356 million) continued to improve in the third quarter of 2010, as year-over-year growth in operating revenue (+15.9%) exceeded that of operating expenses (+13.6%). This improvement in profitability was widespread throughout the trucking industry. All provinces except New Brunswick recorded an increase in operating profits.

4. Speaking notes for the Honourable Chuck Strahl, Minister of Transport, Infrastructure and Communities, to the House of Commons Standing Committee on Transportation, Infrastructure and Communities [TIC]

The Minister of TIC provided the HOC Standing Committee with an update on the TIC Portfolio. His remarks specifically addressed infrastructure progress, transport and Marine Atlantic. Inc.

5. Highway 407 East Extension To Be Completed By 2020

The Ontario government announced “The extension of Highway 407 East to Harmony Road in Oshawa by 2015, and then to Highway 35/115 by 2020, will help relieve highway congestion and create about 13,000 jobs in the first phase alone.”

6. Recovery Continues in Global Freight Transport - Uncertainties Remain

The latest update of global freight data collected by the International Transport Forum shows few signs that reduce the uncertainty about economic recovery after the 2008 crisis. Some of the sectors still

HIGHWAY TRANSPORTATION Canada

1. December 2010 Surface Trade with Canada and Mexico Rose 13.8 Percent from December 2009, March 1, 2011, www.dot.gov
2. Appointment to the Buffalo and Fort Erie Public Bridge Authority, March 7, 2011, www.tc.gc.ca
3. Quarterly Trucking Survey [Third Quarter 2010], March 8, 2011, www.statcan.gc.ca
4. Speaking notes for the Honourable Chuck Strahl, Minister of Transport, Infrastructure and Communities, to the House of Commons Standing Committee on Transportation, Infrastructure and Communities, March 8, 2011, www.tc.gc.ca
5. Highway 407 East Extension To Be Completed By 2020, March 10, 2011, www.gov.on.ca
6. Recovery Continues in Global Freight Transport - Uncertainties Remain, March 14, 2011, www.cemt.org
7. Speaking notes for the Honourable Keith Ashfield – Port of Belledune Modular Fabrication and Transshipment Facility announcement, March 16, 2011, www.tc.gc.ca
8. Manitoulin acquires Exalta Transport, March 16, 2011, www.ctl.ca
9. 2010 Surface Trade with Canada and Mexico Rose from 2009, Remains Lower than 2008, March 18, 2011, www.dot.gov
10. Canadian passenger bus and urban transit industries, March 18, 2011, www.statcan.gc.ca
11. Cnd spot freight volume sets new record: TransCore, March 21, 2011, www.todaystrucking.ca
12. Funding announced for Regina's global transportation hub, March 22, 2011, www.ctl.ca
13. Government's Own Regulatory Impact Assessment Says Costs of Biodiesel Mandate Outweigh Benefits, Will Have Little Impact on GHG and Will Cost Consumers at the Pump and Through Reduced Fuel Efficiency, March 22, 2011, www.cantruck.ca
14. Large Urban transit (January 2011 (preliminary)), March 24, 2011, www.statcan.gc.ca
15. Annual Survey of Traveller Accommodation, March 25, 2011, www.statcan.gc.ca
16. Halifax group promotes improved movement of goods, services at border, March 25, 2011, www.ctl.ca

freight is positive and freight transport volumes continue to improve, according to preliminary data.

7. Speaking notes for the Honourable Keith Ashfield, Minister of State for the Atlantic Gateway and the Atlantic Canada Opportunities Agency, and Minister of National Revenue – Port of Belledune Modular Fabrication and Transshipment Facility announcement

Mr. Ashfield announced a new investment of \$1.5 million from the Gateways and Border Crossings fund to the construction of a facility here at the Port of Belledune. This is in addition to the recently announced \$3.2 million loan from the Atlantic Canada Opportunities Agency (ACOA). This amounts to a total investment of \$4.7 million to support the cost of the new building and site development. This latest investment is yet another step forward in realizing Atlantic Canada's enormous economic potential.

8. Manitoulin acquires Exalta Transport

Manitoulin Transport has expanded its western presence by acquiring Exalta Transport. Exalta is a regional carrier in Medicine Hat, Alberta serving western Canada, operating 300 pieces of company-owned equipment out of seven terminals. Exalta provides scheduled general freight service between Regina and Saskatoon and also among terminals in Brooks, Calgary, Edmonton, Lethbridge and Medicine Hat, Alta. In addition, it offers a through service between points in Alberta and Saskatchewan and a truckload division serving points in B.C., Alberta, Saskatchewan and Manitoba.

9. 2010 Surface Trade with Canada and Mexico Rose from 2009, Remains Lower than 2008

Surface transportation trade between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico increased by 24.3 percent in 2010 compared to 2009, reaching \$791 billion, according to the Bureau of Transportation Statistics. This is still below the \$839b. and \$797b. figures of 2008 and 2007. U.S. - Canada surface transportation trade totalled \$471 billion in 2010, an increase of 22.1 percent compared to 2009.

10. Canadian passenger bus and urban transit industries

Statistics Canada reports that data for the Annual Passenger Bus and Urban Transit Survey are now available for 2009.

11. Cnd spot freight volume sets new record: TransCore

TransCore Canadian Freight Index set another record for spot market freight volume with a month over month increase of 11 percent, despite February is a short month. Load postings were up 36 percent year over year. February 2011 freight volume was more

17. Fed study to focus on 'human factors' in carrier crashes, March 28, 2011, www.todaystrucking.ca

18. Domestic travel Related subjects Fourth quarter and annual 2010 (preliminary), March 29, 2011, www.statcan.gc.ca

19. For-hire Motor Carrier Freight Services Price Index (Fourth Quarter 2010), March 30, 2011, www.statcan.gc.ca

20. National tourism indicators (Fourth Quarter 2010), March 30, 2011, www.statcan.gc.ca

21. January 2011 Surface Trade with Canada and Mexico Rose 19.5 percent from January 2010, March 29, 2011, www.dot.gov

22. Freight costs decline in January, fuel surcharges reach two-year high, March 30, 2011, www.ctl.ca

23. Couriers and Messengers Services Price Index, March 31, 2011, www.statcan.gc.ca

US

1. [US] Freight Transportation Services Index (TSI) Rose 0.9% in January [2011] from December [2010], March 9, 2011, www.dot.gov

2. European Commission launches new look Eltis portal on urban Mobility, March 15, 2011, www.europa.eu

12. Funding announced for Regina's global transportation hub

The Governments of Canada and Saskatchewan are slated to contribute a combined \$1.2 million in funding to the Global Transportation Hub Authority (GTH) in Regina. It is expected to help the province's exporters to grow and expand their marketplace and to encourage the use of greener technologies. With the federal and provincial assistance, officials anticipate that the GTH will attract up to \$300 million in new investments to Saskatchewan.

13. Government's Own Regulatory Impact Assessment Says Costs of Biodiesel Mandate Outweigh Benefits, Will Have Little Impact on GHG and Will Cost Consumers at the Pump and Through Reduced Fuel Efficiency

The Canadian Trucking alliance says the Government of Canada needs to re-think its approach to a national biodiesel mandate to begin on July 1, 2011 and to introduce measures to protect consumers of biodiesel from higher fuel prices, a loss of fuel efficiency and engine and warranty problems from sub-standard fuel. The government's impact study concedes that the costs of the biodiesel mandate outweigh the benefits by \$2.4 billion over 25 years; will only contribute to a marginal reduction in greenhouse gases (1 Mt CO₂ per year); and will cost consumers through higher pump prices and reduced fuel efficiency.

Low-quality biofuel or blending processes increase cost to the trucking industry and provide biofuel producers a captive market and massive subsidies.

14. Large Urban transit (January 2011 (preliminary))

Total operating revenue (excluding subsidies) for 10 of Canada's largest urban transit properties rose 2.4% from January 2010 to \$228.6 million in January 2011. Ridership levels rose to 126.5 million passenger trips in January 2011, up 2.6% from the same month a year earlier.

15. Annual Survey of Traveller Accommodation

Statistics Canada reports that the 2009 edition of Service Bulletin: *Traveller Accommodation Services*, which contains industry highlights along with financial data including revenues, expenses, and operating profit margins, is now available.

16. Halifax group promotes improved movement of goods, services at border

On March 24, 2011, representatives from the US and Canadian government, along with private sector exporters and transportation providers, engaged in a dialogue around improving the movement of goods, services and people across the border through all modes of transportation. The private sector's main concern seemed to be around the need to streamline rules and regulations, as they can change from week to week for companies shipping product across the border. Differences in them affects competitiveness and efficiency.

17. Fed study to focus on 'human factors' in carrier crashes

Transport Canada is preparing a study on the impact of "human factors" on road safety. A draft report by the CCMTA (Canadian Council of Motor Transport Administrators) suggests actions that might improve safety by putting a greater emphasis on human factors as key causes of roadway collisions.

18. Domestic travel Related subjects Fourth quarter and annual 2010 (preliminary)

Preliminary data on domestic travel from the Travel Survey of Residents of Canada for the fourth quarter and the year 2010 are available from Statistics Canada as of the end of March 2011.

19. For-hire Motor Carrier Freight Services Price Index (Fourth Quarter 2010)

The For-Hire Motor Carrier Freight Services Price Index increased 0.8% in the 2010 fourth quarter to 101.6 from the third quarter of 100.

20. National tourism indicators (Fourth Quarter 2010)

Total tourism spending in Canada rose 0.3% in real terms in the 2010 fourth quarter, (the sixth quarterly increase) to \$16.56 b as increased outlays by Canadians at home more than offset a decline in foreign tourism spending in Canada. Domestic demand was \$13.29b and foreign demand was \$3.27b. Outlays by foreign visitors in Canada edged down 0.2% in the fourth quarter of 2010.

21. January 2011 Surface Trade with Canada and Mexico Rose 19.5 Percent from January 2010

According to the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation, trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 19.5 percent higher in January 2011 than in January 2010, reaching \$67.7 billion. U.S.-Canada surface transportation trade totaled \$40.3 billion in January, up 17.8 percent compared to January 2010.

22. Freight costs decline in January, fuel surcharges reach two-year high

The cost of ground transportation for Canadian shippers dropped (0.4%) for the fourth consecutive month in January, while fuel surcharges assessed by carriers rose to the highest level (16.3%) in more than two years, according to the most recent results published by the Canadian General Freight Index (CGFI).

23. Couriers and Messengers Services Price Index (February 2011)

The Couriers and Messengers Services Price Index increased 0.8% in February 2011 compared with January 2011. The courier portion rose 0.8% and the local messenger component advanced 0.8%.