

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Innovation in Airline-Airport Cooperation

On November 2, 2011, the International Air Transport Association (IATA) called for innovation and a renewed agenda of cooperation in the relationship between airports and airlines. Tony Tyler, IATA's Director General and CEO said "We need a common and forward-looking agenda that builds on past successes and puts innovation at the heart of our common issues..." Tyler highlighted six areas where airports and airlines can enhance cooperation to innovate and deliver value: safety, security, improving the customer experience, infrastructure investments, environment and charges.

### 2. WestJet reports October traffic results

On November 3, 2011, WestJet reported that its revenue passenger miles (1.322 b) and available seat miles (1.708 b) both increased by 6.7 per cent for the month of October 2011 compared to the same month a year earlier. Its load factor remained the same at 77.4 compared to October 2010. WestJet President and CEO indicated that they had a strong load factor and achieved a new record number of passengers for the month of October 2011.

### 3. Air Canada Reports October Traffic

On November 3, 2011, Air Canada reported that its revenue passenger miles (4,290 b) and available seat miles (5,045 b) increased by 2 percent and 3.2 per cent for the month of October 2011 compared to the same month a year earlier. Its load factor declined by 0.9 points to 79.4 points compared to October 2010. Air Canada President and CEO said "We experienced continued traffic increases in domestic Canada, U.S., South Pacific-Latin America-Caribbean markets, and overall traffic growth system wide. I want to thank our employees for their focus on taking care of our customers and for safely transporting them to their destinations."

### 4. Air Canada Reports Third Quarter 2011 Results - Operating income of \$270 million and EBITDAR of \$535 million

Air Canada on November 4, 2011 reported third quarter operating income of \$270 million compared to operating income of \$306 million in the third quarter of 2010, a decrease of \$36 million. Earnings before interest, taxes, depreciation, amortization and impairment, and aircraft rent (EBITDAR) of \$535 million decreased \$45 million from the same quarter in 2010. "Despite a 47 per cent increase in fuel prices year-over-year, our operating profit reflects our disciplined approach to capacity management and asset deployment, which resulted in a record load factor of 85.8 per cent for the quarter. This, combined with our industry leading product, drove strong revenue performance and yield growth in the quarter," said Calin Rovinescu, President and Chief Executive Officer.

### 5. Air Canada profit slips 12%

Air Canada reported a net loss for the third quarter of 2011, as surging fuel prices contributed to a sharp drop in operating income at Canada's largest airline. Operating revenue rose 7 per cent to \$3.24 billion, but operating expenses rose 9 per cent, due to a 47-per-cent increase in

## AIR TRANSPORTATION

### Canada

1. Innovation in Airline-Airport Cooperation, Nov. 2, 2011, [www.iata.org](http://www.iata.org)
2. WestJet reports October traffic results, November 3, 2011, [www.westjet.ca](http://www.westjet.ca)
3. Air Canada Reports October Traffic, November 3, 2011, [www.aircanada.ca](http://www.aircanada.ca)
4. Air Canada Reports Third Quarter 2011 Results - Operating income of \$270 million and EBITDAR of \$535 million, November 4, 2011, [www.aircanada.ca](http://www.aircanada.ca)
5. Air Canada profit slips 12%, November 4, 2011, [www.globeandmail.ca](http://www.globeandmail.ca)
6. Porter Airlines October load factor up 11.4 points, November 3, 2011, [www.flyporter.com](http://www.flyporter.com)
7. WestJet offers new seasonal service between Toronto and San Juan, Puerto Rico, November 7, 2011, [www.westjet.ca](http://www.westjet.ca)
8. Air Canada Confirms Receipt of Ruling on New Collective Agreement for Flight Attendants, November 11, 2011, [www.aircanada.ca](http://www.aircanada.ca)
9. Air Canada union calls arbitrator ruling 'profoundly disappointing', November 7, 2011, [www.aircanada.ca](http://www.aircanada.ca)
10. Porter Airlines grows again with addition of 7th daily Toronto-Boston flight, November 7, 2011, [www.flyporter.com](http://www.flyporter.com)
11. 2nd-Quarter 2011 Airline Financial Data: Network Airlines, Low-Cost Airlines and Regional Airlines All Report Profits, Nov. 11, 2011, [www.dot.gov](http://www.dot.gov)
12. WestJet reports solid quarterly net earnings of \$39 million, November 9, 2011, [www.westjet.ca](http://www.westjet.ca)
13. WestJet aims to return to New York's LaGuardia Airport, November 9, 2011, [www.globeandmail.ca](http://www.globeandmail.ca)
14. Aviation is a Team Effort - Working Together Delivers Economic Benefits, November 9, 2011, [www.iata.org](http://www.iata.org)
15. Air Canada Boosts Calgary Flights to Tokyo and to Frankfurt, November 10, 2011, [www.aircanada.ca](http://www.aircanada.ca)
16. Porter Porter Airlines enjoys a top ranking in Condé Nast Readers' Choice Awards, November 10, 2011, [www.flyporter.com](http://www.flyporter.com)
17. High travel levies hurt Canadian airports, November 11, 2011, [www.cacairports.ca](http://www.cacairports.ca)
18. Civil Aviation Operating Statistics, November 16, 2011, [www.statcan.gc.ca](http://www.statcan.gc.ca)

\* The views indicated are those of the authors and not of Industry Canada or the CTRF.

fuel prices. Foreign exchange also contributed to its losses. Operating profit dropped to \$270 million from \$306 million a year earlier.

#### **6. Porter Airlines October load factor up 11.4 points**

On November 3, 2011, Porter Airlines reported its best-ever October 2011 load factor at 67.7 per cent, 11.4 points higher than the previous year. Passenger numbers set a record for any month at over 215,000. For October 2011, it reported 118.5 million Available Seat Miles (ASMs) and 80.2 million Revenue Passenger Miles (RPMs). ASMs grew 19.9 per cent from 98.8 million and RPMs increased 44 per cent from 55.7 million in October 2011 versus the same month last year.

#### **7. WestJet offers new seasonal service between Toronto and San Juan, Puerto Rico**

On November 5, 2011, WestJet began a new biweekly seasonal service between Toronto and San Juan, Puerto Rico. The service will be on Saturdays and Sundays until the end of April 28, 2012.

#### **8. Air Canada Confirms Receipt of Ruling on New Collective Agreement for Flight Attendants**

Air Canada said on Monday 7, 2011 that it has received the final and binding ruling by Elizabeth MacPherson, Chair of the Canada Industrial Relations Board (CIRB), regarding unresolved matters between Air Canada and CUPE, the union representing the airline's 6,800 flight attendants. The ruling orders the implementation of the second tentative agreement reached September 20, 2011 as the new binding collective agreement between the airline and its flight attendants.

#### **9. Air Canada union calls arbitrator ruling 'profoundly disappointing'**

CUPE national president Paul Moist said that "Flight attendants deserve better than this decision," (i.e., better wage increases, voluntary separation packages and travel discounts for commuting staff and providing for empty seats). The ruling by Ms. MacPherson was described as "profoundly disappointing." Mr. Moist blamed federal Labour Minister Lisa Raitt for intervening in the contract dispute and said that "This government has been extremely irresponsible, and it's their constant interference in collective bargaining that tipped the scales in favour of the company and against hard-working flight attendants,"

#### **10. Porter Airlines grows again with addition of 7th daily Toronto-Boston flight**

Porter Airlines will be increasing weekday roundtrip flights to seven from six between Billy Bishop Toronto City Airport and Boston's Logan International Airport, beginning April 16, 2012.

#### **11. 2nd-Quarter 2011 Airline Financial Data: Network Airlines, Low-Cost Airlines and Regional Airlines All Report Profits**

On November 7, 2011, BTS released preliminary data indicating that scheduled passenger US airlines reported a profit margin of 5.1 percent in the second quarter of 2011, up from the 0.5 percent loss margin in the first quarter but a smaller profit margin than the 9.0 percent margin during the second quarter of 2010.

#### **12. WestJet reports solid quarterly net earnings of \$39 million**

On November 9, 2011, WestJet reported solid net earnings of \$39.3 million or 28 cents per share for the third quarter of 2011. This compares with \$43.8 million or 30 cents per share for the same quarter in 2010. Despite the increase in passengers carried, the operating margin was down with the

19. Working Together On Fuel - Biofuels Are an Industry Priority, November 15, 2011, [www.iata.org](http://www.iata.org)

20. Brian Dunn says airlines and MROs must work together if they are to deal with the complexities of the modern airline industry, November 15, 2011, [www.iata.org](http://www.iata.org)

21. WestJet again makes list of Canada's top ten most admired Corporate cultures, November 17, 2011, [www.westjet.ca](http://www.westjet.ca)

22. Air Canada Confirms Ratification of New Collective Agreements by U.K. Employees, November 17, 2011, [www.aircanada.ca](http://www.aircanada.ca)

23. Porter Airlines heats up with winter service to Myrtle Beach, November 21, 2011, [www.flyporter.com](http://www.flyporter.com)

24. Transport Canada has reinstated Mississippi Airways' Air Operator Certificate, November 21, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

25. Aircraft movement statistics: Major airports, November 23, 2011, [www.statcan.gc.ca](http://www.statcan.gc.ca)

26. WestJet lands access to LaGuardia, November 23, 2011, [www.westjet.ca](http://www.westjet.ca)

27. WestJet Vacations launches a redesigned WestJetvacations.com, November 23, 2011, [www.westjet.ca](http://www.westjet.ca)

28. Air Freight Continues Decline, November 28, 2011, [www.iata.org](http://www.iata.org)

29. Porter Airlines receives two more Bombardier Q400 NextGen aircraft, November 29, 2011, [www.flyporter.com](http://www.flyporter.com)

30. American Airlines parent files for bankruptcy protection, November 29, 2011, [www.globeandmail.ca](http://www.globeandmail.ca)

#### **US**

1. DOT Fines Business Jet Class for Violations of Code-Share Disclosure Rules, Nov. 9, 2011, [www.dot.gov](http://www.dot.gov)

2. August 2011 US Airline System Traffic Down 0.1 Percent from August 2010, Nov. 17, 2011, [www.dot.gov](http://www.dot.gov)

3. US Airlines Report Three Tarmac Delays Longer than Three Hours On Domestic Flights in September, November 17, 2011, [www.dot.gov](http://www.dot.gov)

4. DOT Fines Spirit Airlines for Violating Price Advertising Rules, November 21, 2011, [www.dot.gov](http://www.dot.gov)

rise in fuel costs.

### **13. WestJet aims to return to New York's LaGuardia Airport**

WestJet will be bidding for takeoff and landing slots at New York's LaGuardia Airport, part of its U.S. expansion strategy and efforts to attract more business travellers. Newark Liberty International Airport in New Jersey is already on WestJet's route map.

### **14. Aviation is a Team Effort - Working Together Delivers Economic Benefits**

On November 9, 2011, the International Air Transport Association (IATA) urged cooperation and innovation across the aviation value chain and with governments to take advantage of aviation's ability to drive economic growth. Tony Tyler, CEO and Director General of IATA, focussed on safety and environmental change. Tyler identified three additional areas where cooperation and innovation are needed: security, taxation and regulation.

### **15. Air Canada Boosts Calgary Flights to Tokyo and to Frankfurt**

Air Canada announced on November 10, 2011 that it is boosting its international flights from Calgary to Tokyo and Frankfurt, further strengthening its global network, effective April 27, 2012.

### **16. Porter Airlines enjoys a top ranking in Condé Nast Readers' Choice Awards**

Porter Airlines on November 10, 2011 reported that it is celebrating its recent ranking as the highest rated Canadian Airline in the *Condé Nast Traveler* Readers' Choice Top 30 Airlines category.

### **17. High travel levies hurt Canadian airports**

Canadian travellers can save a significant amount by flying out of a U.S. airport, even when transportation costs are taken into account. As a result, Vancouver and Abbotsford airports lost almost a million U.S.-bound Canadian passengers to Bellingham and Seattle airports last year. The Surrey Board of Trade is calling on the federal government to make Canada's airports more competitive. Is the difference in airfares or cost of flying the result of airport rents, scale of operations, other charges, etc.? To review the reason for the difference, stakeholders, including representatives of airlines, airport authorities, the federal government and the Canadian Airports Council plan to meet in January 2012 in Ottawa to discuss what can be done to level the playing field.

### **18. Civil Aviation Operating Statistics**

Statistics Canada on November 16, 2011, reported that operational data on civil aviation are now available for September 2011 on CANSIM (Table 401-0001).

### **19. Working Together On Fuel - Biofuels Are an Industry Priority**

The International Air Transport Association (IATA) called on stakeholders in the aviation and air transport fuel supply value chains to join together on three critical areas for innovation: safety, environment and commercial issues. Six steps were outlined for governments to promote the successful commercialization of sustainable biofuels: (1) foster research into new feedstock sources and refining processes, (2) de-risk public and private investments in aviation biofuels, (3) provide incentives for airlines to use biofuels from an early stage, (4) encourage stakeholders to commit to robust international sustainability criteria, (5) make the most of local green growth opportunities, and (6) encourage coalitions encompassing all parts of the supply chain.

### **20. Brian Dunn says airlines and MROs must work together if they are to deal with the complexities of the modern airline industry**

Maintenance, repair and overhaul companies (MROs) must confront a changing environment. New aircraft, higher utilization rates and the need to keep costs to a minimum are a few of the factors they have to contend with. Greater efficiency, consolidation, and improving customization will not be easy for MRO companies to achieve. Dealing with the new realities could well change the MRO landscape of the future. To add to the problem, engine original equipment manufacturers (OEMs) are entering the business creating their own MROs.

### **21. WestJet again makes list of Canada's top ten most admired Corporate cultures**

Waterstone Human Capital named Westjet Airlines in 2011 as one of Canada's top ten admired corporate cultures. The company was given this recognition for the fifth time in six years.

### **22. Air Canada Confirms Ratification of New Collective Agreements by U.K. Employees**

Air Canada said on November 17, 2011 that it has received confirmation from UNITE, the union in the United Kingdom representing the airline's approximately 600 Heathrow-based employees that they have ratified tentative agreements reached October 27, 2011 for four more years.

### **23. Porter Airlines heats up with winter service to Myrtle Beach**

On November 21, 2011, Porter Airlines announced its winter schedule to Myrtle Beach, S.C., with up to four weekly roundtrip flights, making it easy to avoid the winter temperatures by enjoying some fun in the sun.

**24. Transport Canada has reinstated Missinippi Airways' Air Operator Certificate**

Transport Canada announced on November 21, 2011 that it has reinstated Missinippi Airways' Air Operator Certificate following the approval and implementation of the company's corrective action plan. The reinstatement is effective immediately.

**25. Aircraft movement statistics: Major airports [October 2011]**

Statistics Canada on November 23, 2011 reported that aircraft take-offs and landings at the 93 Canadian airports with NAV CANADA air traffic control towers and flight service stations decreased 2.8% in October 2011 from October 2010.

**26. WestJet lands access to LaGuardia**

WestJet has successfully bid on 8 pairs of slots at LaGuardia airport. A slot pair is defined as one arriving flight and one departing flight. This will enable WestJet to fly to New York. The CEO of WestJet expressed pleasure at the success of WestJet and the potential for increased growth.

**27. WestJet Vacations launches a redesigned WestJetvacations.com**

In the third week of November 2011, WestJet Vacations launched a new vacation package website (westjetvacations.com), the site responsible for providing booking of vacation packages. The site is responsible for providing vacation package bookings for the airline. It will be merged into the existing structure of Westjet.com.

**28. Air Freight Continues Decline**

The International Air Transport Association (IATA) announced global traffic results for October 2011. Cargo demand was 4.7% below the same month in 2010 while passenger traffic showed a 3.6% rise over previous year levels. Year to date results indicate, cargo traffic was down 0.5% and passenger traffic was up 6%.

**29. Porter Airlines receives two more Bombardier Q400 NextGen aircraft**

On November 28, 2011 Porter Airlines accepted two new Bombardier\* Q400\* NextGen\* aircraft, bringing the company's fleet to 26. The two aircraft were bought at a cost of \$61 million.

**30. American Airlines parent files for bankruptcy protection**

American Airlines' parent company, the third largest carrier in the US is seeking Chapter 11 bankruptcy protection as it seeks to unload massive debt built up by years of accelerating jet fuel prices and labour struggles. American says it sought protection to reduce its costs and debt to remain competitive. The airline says it will continue normal flight operations during the reorganization.

## **WATER TRANSPORTATION**

### **1. Minister Lebel begins consultations with industry stakeholders on the new bridge over the St. Lawrence**

The Minister of Transport, met with economic and business leaders in the Montreal region on October 31, 2011 to hear their views on the requirements for a new bridge over the St. Lawrence River. A few weeks ago, on October 5, 2011, the Minister announced that the Government of Canada will proceed with a new crossing to replace the existing Champlain Bridge. The six-lane Champlain Bridge is the busiest vehicular bridge in Canada. An estimated 11 million public transit commuters, 60 million vehicles and \$20 billion in international trade cross it annually.

### **2. New study shows that Port of Hamilton adds \$5.9B to Canadian economy**

Cargo shipments to and from the Port of Hamilton generate \$5.9 billion of economic activity and 38,000 jobs in Ontario, according to a new study released. As the busiest port on the Great Lakes-Seaway navigation system, the Port of Hamilton plays an integral role in supporting trade between Canada and the U.S. as well as overseas destinations. Agriculture, salt, petroleum, steel and break bulk commodities (eg. windmill blades and beer vats) are just some examples of commodities moving through the Port of Hamilton.

### **3. Government of Canada introduces regulations to require voyage data recorders on large Canadian vessels**

The Honourable Denis Lebel on November 3, 2011 announced that under new regulations, certain large passenger and cargo vessels will be required to have voyage data recorders. Similar to an airplane's black box, the equipment captures critical information to help investigations into accidents at sea. The *Voyage Data Recorder Regulations* will require (as of January 1, 2012) new passenger vessels of 500 gross tonnage or more and new cargo vessels of 3,000 gross tonnage or more not engaged on an international voyage be fitted with voyage data recorders. Owners of existing passenger vessels have until July 1, 2015, to install the equipment, depending on their inspection schedule.

### **4. MARAD requests comments on cargo diversion**

The Federal Maritime Commission has issued its notice of inquiry to solicit the public's views and information concerning factors that may cause or contribute to the shift of containerized cargo destined for U.S. inland points from U.S. to Canadian and Mexican seaports.

### **5. Vancouver sees growth in 2011 cruise numbers**

Port Metro Vancouver reported that it recently concluded a successful 2011 Vancouver-Alaska cruise season, posting a 15 per cent increase in passengers over 2010. Between May and October 2011, the Port welcomed 663,425 passengers on 27 different vessels over 199 cruise ship calls.

### **6. Prince Rupert Port Authority – Monthly Cargo Report – October 2011**

Prince Rupert Port Authority reports that container traffic increased by 50.1% to 41,465 TEUs for the month of October 2011 compared to the same month in 2010. Year-to-date statistics indicate an increase of 13.8% TEUs. Imports in terms of TEUs for the month of October 2011 increased by 68.4% and exports in terms of TEUs increased by 31.4%.

### **7. Analyst Says Container Line Mergers Likely**

## **WATER TRANSPORTATION Canada**

1. Minister Lebel begins consultations with industry stakeholders on the new bridge over the St. Lawrence, October 31, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

2. New study shows that Port of Hamilton adds \$5.9B to Canadian economy, November 2, 2011, [www.ctl.ca](http://www.ctl.ca)

3. Government of Canada introduces regulations to require voyage data recorders on large Canadian vessels, November 3, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

4. MARAD requests comments on cargo diversion, November 6, 2011, [www.americanshipper.com](http://www.americanshipper.com)

5. Vancouver sees growth in 2011 cruise numbers, November 7, 2011, [www.portmetrovancover.com](http://www.portmetrovancover.com)

6. Prince Rupert Port Authority – Monthly Cargo Report – October 2011, Nov. 1, 2011, [www.rupertport.com](http://www.rupertport.com)

7. Analyst Says Container Line Mergers Likely, November 11, 2011, [www.joc.com](http://www.joc.com)

8. Minister Lebel consults mayors on the new bridge over the St. Lawrence, November 14, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

9. Port Metro Vancouver–Accumulated Traffic Report YTD October, Oct. 15, 2011, [www.portmetrovancover.com](http://www.portmetrovancover.com)

10. St. Lawrence Seaway Traffic Up 2 Percent, November 16, 2011, [www.joc.com](http://www.joc.com)

11. Statement by the Parliamentary Secretary to the Minister of Transport, Infrastructure and Communities, Pierre Poilievre, on ballast water management for the Great Lakes-St. Lawrence Seaway System, November 17, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

12. Canadian grain shipments increase 15% through St. Lawrence Seaway, November 17, 2010, [www.ctl.ca](http://www.ctl.ca)

13. Domestic and international shipping, November 28, 2011, [www.statcan.gc.ca](http://www.statcan.gc.ca)

## **US**

1. Long Beach Container Traffic Plunges 20 Percent, November 17, 2011, [www.joc.com](http://www.joc.com)

*The Journal of Commerce* on November 11, 2011 reports that further consolidation of container shipping lines is likely as carriers seek to cut costs, expand market share and bolster balance sheets, said head of shipping at investment bank Lazard.

**8. Minister Lebel consults mayors on the new bridge over the St. Lawrence**

The Honourable Denis Lebel on November 14, 2011 met with the mayors of Montreal, Longueuil and Brossard to hear their concerns on the new bridge over the St. Lawrence to replace the Champlain bridge. He listened to what they had to say about the issue of tolling and public transit, and discussed the cities' current and future needs regarding this crossing.

**9. Port Metro Vancouver – Accumulated Traffic Report YTD October 2011**

Total container traffic passing through the Port of Metro Vancouver till the end of October 2011 was 2,086,423 TEUs compared to 2,090,944 TEU for the same period last year. Exports declined by 2% compared to an increase of imports by 1%.

**10. St. Lawrence Seaway Traffic Up 2 Percent**

*The Journal of Commerce* on November 16, 2011 reported that cargo shipped on the St. Lawrence Seaway from late March through October 2011 rose 2 percent year-over-year. About 29 million metric tons of finished products and materials were transported on the seaway from March 22 to Oct. 31, 2011 keeping the waterway on track for an overall traffic increase of 7 percent over the 2010 season, according to the Saint Lawrence Seaway Development Corp.

**11. Statement by the Parliamentary Secretary to the Minister of Transport, Infrastructure and Communities, Pierre Poilievre, on ballast water management for the Great Lakes-St. Lawrence Seaway System**

Parliamentary Secretary has been asked by the Honourable Denis Lebel, to advise him on ballast water management for the Great Lakes-St. Lawrence Seaway System. New York State's upcoming unachievable ballast water requirements for the St. Lawrence Seaway have raised concern as it would impede Canada's domestic and US trade. The Parliamentary Secretary will travel to New York to speak to state officials and marine industry stakeholders regarding upcoming requirements for ballast water.

**12. Canadian grain shipments increase 15% through St. Lawrence Seaway**

The Seaway's year-to-date total cargo shipments from March 22 to Oct. 31, 2011 were 29 million tonnes, up 2% from the same period last year. When compared to 2010 figures, strong gains were seen in shipments of Canadian grain, which increased by 15% to 4.7 million tonnes, and in shipments of petroleum products.

**13. Domestic and international shipping 2010 (Preliminary)**

Statistics Canada reports that Canadian ports handled 450.0 million tonnes of cargo in 2010, a 9.8% increase from 2009. Both international and domestic sectors were responsible for the advance.

## RAIL TRANSPORTATION

### 1. Government of Canada appoints facilitator to lead rail freight service discussion process

The Government of Canada has appointed Mr. Jim Dinning to lead a six-month facilitation process to enhance rail freight service. This process will bring together shippers, railways and other key players to develop a template for service agreements and a streamlined commercial dispute resolution process. These commercial measures are key steps that the Government of Canada has committed to, in order to enhance the effectiveness, efficiency and reliability of the rail freight supply chain. Once the process is complete the government will table a bill. In addition to these measures, it will also lead an in-depth analysis of the grain supply chain systems to focus on issues that affect this sector and identify potential solutions.

### 2. CP Rail open to talks with activist investor

New York-based Pershing Square Capital Management LP, headed by William Ackman, disclosed its \$1-billion (U.S.) investment in Canadian Pacific becoming its largest shareholder. Pershing wants to discuss a strategic review of the Calgary-based railway's operations with CP executives and directors.

### 3. Canadian Pacific Targeted in Buyout Rumors

A private equity firm's new minority stake in Canadian Pacific Railway is triggering suggestions of a large reorganization and even a potential outright sale of Canada's second-largest railroad in a sudden consolidation of the North American rail industry. Berkshire Hathaway, the Warren Buffett-led firm that acquired BNSF Railway or a Canadian Pension Fund are suggested as possible buyers.

### 4. CN and Ray-Mont Logistics enter supply chain logistics agreement to improve service for specialty grains

CN and Ray-Mont Logistics announced on November 1, 2011 an agreement to improve supply chain efficiencies and customer service for specialty grains. The supply chain collaboration agreement is intended to improve the flow of specialty grains transshipped from rail car to terminals for bagging and bulk containerization for export via the ports of Montreal and Vancouver.

### 5. Government of Canada and VIA Rail complete major improvements to Montreal-Ottawa-Toronto line

On November 4, 2011, government and company officials announced the completion of major track improvements between Montreal, Ottawa and Toronto that will lead to improved and faster passenger service. The project included \$55 million in infrastructure upgrades between Ottawa and Montreal (Coteau), and track and safety improvements on VIA's Ottawa and Brockville route, completing a major part of an over \$300 million expansion of VIA's key Montreal-Ottawa-Toronto corridor.

### 6. CN announces US\$700-million debt offering

CN on November 7, 2011 announced a public two-tranche debt offering of US\$700 million, comprised of US\$300 million 1.45% Notes due 2016, and US\$400 million 2.85% Notes due 2021. CN expects to close the offering on Nov. 15, 2011.

### 7. Government of Canada invests in safety with new funding for railway crossing improvements

On November 7, 2011, The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, announced that the Government of Canada is providing almost \$14 million in new funding for the Grade Crossing Improvement Program (GCIP) in 2011.

### 8. Canadian Pacific Marked for Sale

## RAIL TRANSPORTATION Canada

1. Government of Canada appoints facilitator to lead rail freight service discussion process, October 31, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

2. CP Rail open to talks with activist investor, October 31, 2011, [www.cpr.ca](http://www.cpr.ca)

3. Canadian Pacific Targeted in Buyout Rumors, October 31, 2011, [www.joc.com](http://www.joc.com)

4. CN and Ray-Mont Logistics enter supply chain logistics agreement to improve service for specialty grains, November 1, 2011, [www.cn.ca](http://www.cn.ca)

5. Government of Canada and VIA Rail complete major improvements to Montreal – Ottawa - Toronto line, November 4, 2011, [www.via.ca](http://www.via.ca)

6. CN announces US\$700-million debt offering, November 7, 2011, [www.cn.ca](http://www.cn.ca)

7. Government of Canada invests in safety with new funding for railway crossing improvements, November 8, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

8. Canadian Pacific Marked for Sale, Nov 7, 2011, [www.todaystrucking.com](http://www.todaystrucking.com)

9. CN and Coalspur sign memorandum of understanding to develop high-quality supply chain for west coast thermal coal exports, November 9, 2011, [www.cn.ca](http://www.cn.ca)

10. Governments release findings of high-speed rail study, Nov. 14, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)

11. NIT League presses rail issue, hooks into global forum, November 15, 2011, [www.americanshipper.com](http://www.americanshipper.com)

12. CP 'much better prepared' for harsh winter conditions, November 15, 2011, [www.globeandmail.ca](http://www.globeandmail.ca)

13. The fight for control of Canadian Pacific Railway, November 26, 2011, [www.globeandmail.ca](http://www.globeandmail.ca)

14. Consultation with Stakeholders on Limited Distribution Tariffs - Summary of What We Heard, November 25, 2011, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)

15. Canadian Pacific announces the results of its U.S. debt offering, November 29, 2011, [www.cpr.ca](http://www.cpr.ca)

16. Railway Carloadings – September 2011 (Preliminary), November 30, 2011, [www.statcan.gc.ca](http://www.statcan.gc.ca)

## US

1. US Railroads Say Weak Exports Hurting Grain Shipments, November 21, 2011, [www.joc.com](http://www.joc.com)

*The Journal of Commerce* reported earlier that a private firm may be interested in buying CP. An analyst said that the W. Buffet-led firm Berkshire Hathaway-which bought BNSF Rail-could be a buyer.

#### **9. CN and Coalspur sign memorandum of understanding to develop high-quality supply chain for west coast thermal coal exports**

CN and Coalspur Mines Limited announced on November 9, 2011 that they have signed a memorandum of understanding (MOU) under which they will develop a high-quality logistics supply chain to transport export thermal coal from Coalspur's Vista Coal Project (Vista) near Hinton, Alta., to Western Canadian ports starting in 2015. The MOU establishes the framework for an agreement that will accommodate Coalspur's plan to commence coal production in 2015 at a rate of approximately 2.5 million tonnes per annum (Mtpa), rising to about 11.2 Mtpa by 2019.

#### **10. Governments release findings of high-speed rail study**

The Governments of Canada, Quebec and Ontario on November 14, 2011 officially released the final report on the feasibility of the high-speed rail study for the Quebec City-Windsor Corridor. The study found that high-speed rail is technically feasible in the Quebec City-Windsor Corridor but will require significant public expenditure. With these study findings, the Government of Canada will take the time necessary to carefully consider possible next steps.

#### **11. NIT League presses rail issue, hooks into global forum**

The National Industrial Transportation League said it will continue to work toward getting its members more access to competitive rail service. In early November 2011, the US Surface Transportation Board decided to postpone making a decision on the league's petition to change the rules on reciprocal switching for captive shippers.

#### **12. CP 'much better prepared' for harsh winter conditions**

In the winter of 2010, severe weather temporarily shut down vast portions of CP's network on the Prairies and U.S. Midwest, but company executives say they will be in a much better position for the winter of 2011. It will have 61 new locomotives and 30 new ones by the end of March 2012. Host of other measures will be introduced (extra engineers, conductors, upgrading its line, snow-ploughs at critical points, etc.).

#### **13. The fight for control of Canadian Pacific Railway**

Mr. Ackman's funds have spent \$1.2-billion (U.S.) to acquire a 12.4-per-cent stake in CP, becoming the railway's largest shareholder. CP shareholders can expect to learn within the next several weeks whether Mr. Ackman's will introduce major changes to bring the company back to profitability.

#### **14. Consultation with Stakeholders on Limited Distribution Tariffs - Summary of What We Heard**

On December 1, 2010, a Discussion Paper on the status of limited distribution tariffs (LDTs) under the *Canada Transportation Act* (Act) was distributed. Submissions were received on the LDT paper and the Agency summarized the views of the stakeholders under the following subtitles: Process; Characteristics of LDTs; To what extent do LDTs reflect the agreement of the parties?; What options are available to a shipper that does not accept a railway company LDT?; Are LDTs the only hybrid mechanism currently being used by railway companies? What are the advantages and disadvantages of LDTs?; Does the legislative scheme allow LDTs, and if not, should it allow them?; and What are, or should be, the appropriate recourse for parties in a dispute relating to an LDT or any other hybrid mechanisms?

The general consensus is that LDTs are a hybrid between a public tariff and a confidential contract, containing elements of both: 1. The form and content of an LDT is similar to a tariff. 2. The main distinguishing feature between an LDT and a public tariff appears to be that the LDT is not available for public distribution and is only available to a single shipper. 3. It is kept confidential between the single shipper and the carrier. 4. An LDT usually deals with a rate for the movement of traffic and excludes those elements contained in a confidential contract such as service levels and traffic commitments. However, it might incorporate by reference some ancillary charges. 5. Generally, an LDT is in effect for one year. The Agency also listed differing views and other common views.

#### **15. Canadian Pacific announces the results of its U.S. debt offering**

Canadian Pacific Railway Limited announced on November 29, 2011 that its wholly-owned subsidiary, Canadian Pacific Railway Company, is issuing: US \$250 million of 4.50% Notes due 2022; US \$250 million of 5.75% Notes due 2042. The transaction is expected to close on December 1, 2011.

#### **16. Railway Carloadings – September 2011 (Preliminary)**

Statistics Canada reports that Canadian railways carried 27.4 million tonnes of freight in September 2011, up 12.9% from September 2010. The gain was the result of increases in both domestic and international cargo loadings. Intermodal freight loadings of containers and trailers on flat cars rose 3.7% from the same month a year earlier to 2.4 million tonnes in September.



## HIGHWAY TRANSPORTATION

### 1. First section of twinned Robert Cliche Highway (A-73) opens

On October 31, 2011, government officials opened the first section of the twinning project for the Robert Cliche Highway (A-73) between Sainte-Marie and Saint-Joseph-de-Beauce.

### 2. August 2011 Surface Trade with Canada and Mexico Rose 18.3 Percent from August 2010

According to the US Bureau of Transportation Statistics, trade using surface transportation between the United States and its North American neighbours, Canada and Mexico, was 18.3 percent higher in August 2011 than in August 2010, totalling \$80.4 billion. Trade increase in August 2011 slightly surpassed trade increase in the previous month. It is also worthwhile noting that the year-to-year (2011-10) increase was considerably below the year-to-year (2010-2009) increase of the previous year i.e., 18.3% vs. 25.3%. U.S.-Canada surface transportation trade increased compared to August 2010 with U.S.-Canada reaching \$47.5 billion, a 19.1 percent increase. Michigan was the top trading State with Canada.

### 3. TransForce Moves to Acquire Quik X

Transforce announced on November 1, 2011 that it has entered into an agreement to acquire all the shares of Quik X Transportation. "Quik X is well known for providing high-quality service through leading-edge technology,"

### 4. TransForce to Buy Quik X, Sales Jump 49 Percent

TransForce's acquisition of a cross-border, expedited less-than-truckload carrier expands the Canadian trucking giant's reach further into the U.S. Quik X Transportation, valued at \$2 billion has a network of 17 terminals in Canada and the U.S., with more than 600 employees. TransForce increased its operating profit 34 percent year-over-year in the third quarter to about \$56 million and total revenue 49 percent to about \$733 million.

### 5. UPS to expand into Atlantic Canada in spring

UPS will begin to perform pickup and delivery services for its customers in Moncton and Halifax beginning in April 2012, replacing its current agent. Other cities in Nova Scotia will be added later. The expansion represents a multi-million dollar investment and approximately 250 new UPS jobs.

### 6. Ontario fleet optimism wanes heading into fourth quarter

Ontario carriers are less certain about their immediate future, according to Ontario Trucking Association (OTA) quarterly survey for the last quarter of 2011. The number of carriers reporting they were unsure about the industry's prospects jumped sharply from 26% in Q3 of 2011 to 40% in the Q4 survey. That marks the highest level of uncertainty since the second quarter of 2008, the OTA reports.

### 7. Capacity stays in check: JOC carrier survey

According to the *Journal of Commerce* capacity levels at a group of six large truckload carriers fell a cumulative 1.5 percent from the second quarter of 2011 and from a year ago. Only two carriers increased capacity slightly year-over-year.

### 8. COMPETITION WATCH: TransForce acquires I.E.

TransForce has reached an agreement to acquire all the shares of I.E. Miller Services, a provider of rig relocation services, including disassembly, transportation and reassembly of oil and gas drilling rigs. I.E. Miller operates eight terminals in Texas, Louisiana,

## HIGHWAY TRANSPORTATION Canada

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12. Highway truck safety continues to improve, Nov. 15, 2011, [www.cantruck.ca](http://www.cantruck.ca)
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17. Truck Tonnage Up 5.7 Percent in October, November 23, 2011, [www.todaystrucking.ca](http://www.todaystrucking.ca)
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22. Rising costs to mute profits for transportation sector in 2011: report, November 25, 2011, [www.ctl.ca](http://www.ctl.ca)
23. Work complete on latest Kicking Horse Canyon projects, November 25, 2011, [www.tc.gc.ca](http://www.tc.gc.ca)
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Oklahoma, Colorado, and North Dakota and has about 400 employees, I.E. Miller specializes in mostly high-end, high horsepower rig movements. It also services a base of leading oil and gas producers as well as drilling companies. The transaction will add annual revenues of approximately US\$138 million.

#### **9. Economic Outlook: More of the Same**

David Bradley, says that the economic outlook for 2012 is more of the same as 2011 but there will be significant regulatory changes for Canadian trucking. First, the USDOT will publish its final changes to the US hours of service rules. The question for us is what will Canada do to hour of service rules? Second, the USDOT will also publish its long-awaited final rule on EOBRs (electronic onboard recorders). Third, both the US and Canada will finalize their new fuel economy/GHG reduction rules for heavy duty tractors and engines. What will this really mean for product availability? Fourth, will Canada adopt a new dangerous goods security regime similar to the US program of mandatory security plans, training and management systems? Fifth, will the US introduce new food safety security regulations and will Canada respond. Furthermore, will the rest of the provinces follow the lead of Quebec and Ontario by equalizing the allowable axle weights for wide base single tires and conventional duals? Will a national accord be reached on extending B-train combination lengths to accommodate the maximum tractor wheelbase? Will the provinces and the federal government introduce regulatory/legislative amendments to nullify indemnification clauses in freight contracts that transfer the liability for shipper/3PL negligence to carriers? How will Ontario expand its LCV program?

#### **10. TransCore's N.A. Freight Index climbs 39% y-o-y in October**

TransCore's North American Freight Index climbed 39% in October 2011 compared to the same month last year. Compared to September 2011, spot market freight volume slipped 3.7%, which TransCore says reflects normal seasonality.

#### **11. Truckers Won't Support Mandatory Truck Side Guards**

The Canadian Trucking Alliance, which represents over 4,500 trucking companies from across the country, says it is far from clear that a private member's bill for all trucks to be equipped with side guards would on their own save lives or lead to less serious injury of bicyclists who become involved in collisions with heavy trucks.

#### **12. Highway truck safety continues to improve**

The latest truck safety data from the Federal Motor Carrier Safety Administration in November 2011 shows that once again the trucking industry showed significant improvement of crash rates.

#### **13. NB minister works toward uniform truck regs**

New Brunswick Public Safety Minister and Solicitor General Robert Trevors recently met with trucking industry stakeholders. They urged him to seek better size and weight uniformity between the provinces. A report on the findings is expected early in 2012.

#### **14. Ontario Continues Expansion of Highway 417 In Ottawa**

The McGuinty Government is Building Better Roads and Creating Jobs. As an example, recently upgrades are being undertaken to Highway 417 in Ottawa which will reduce commute times, boost the local economy and create 650 jobs. The upgrades described were funded solely by the province.

#### **15. Large Urban Transit [September 2011]**

Total operating revenue (excluding subsidies) for 10 of Canada's largest urban transit properties (comprising 80% of all urban transits) rose 5.3% from September 2010 to \$272.4 million in September 2011. Ridership levels rose to 147.4 million passenger trips in September 2011, a 5.3% increase from the same month a year earlier.

#### **16. No legitimate reason to change HOS rules: ATA**

The latest trucking industry safety statistics show the industry's safety record is improving under the current hours-of-service rules and there's no evidence that they need to be revised. For example, there has been a 31 percent drop in the number of large truck fatalities from 2007 to 2009. This was pointed out by Bill Graves, president of the American Trucking Associations, in a recent letter to the White House Office of Management and Budget.

#### **17. Truck Tonnage Up 5.7 Percent in October**

Truck tonnage data for the month of October 2011, released by the American Trucking Association (ATA) was higher than expected. Seasonally-adjusted (SA) truck tonnage was up 5.7 percent year-over-year (YoY) in October 2011. Without the seasonal adjustment, truck tonnage increased 4.8 percent YoY in October 2011.

#### **18. Trucks show economy is growing**

The American Trucking Associations' advance seasonally adjusted for-hire truck tonnage index increased

0.5 percent in October 2011 after rising a revised 1.5 percent in September 2011. The not-seasonally adjusted index was 0.8 percent below the previous month. Tonnage readings continue to show that the economy is growing.

#### **19. TransCore's Canadian Freight Index up 19% in October**

TransCore's Canadian Freight Index surged 19% year-over-year in October 2011. However, the index, which monitors freight movement on the spot market, saw its month-over-month numbers drop 5% to start the fourth quarter. October volume exceeded nine of the 12 months of 2011 and was the seventh highest spot market freight volume this year.

#### **20. US carriers applaud ban on handheld cellphones**

Interstate truck and bus drivers in the U.S. will soon be banned from using handheld cell phones while operating their vehicles. A final joint rule from the Federal Motor Carrier Safety Administration and the Pipeline and Hazardous Materials Safety Administration was announced on November 23, 2011. It will go into effect 30 days after publication.

#### **21. Couriers and Messengers Services Price Index (October 2011)**

The Couriers and Messengers Services Price Index decreased 0.3% in October 2011 compared with the previous month. The courier portion fell 0.3%, while the local messenger component declined 0.2%.

#### **22. Rising costs to mute profits for transportation sector in 2011: report**

According to the Canadian Industrial Profile's Autumn 2011 report published by the Canadian Conference Board of Canada, rising labour and operating costs will lower profits to less than \$5 billion for the transportation and warehousing sector this year (2011).

#### **23. Work complete on latest Kicking Horse Canyon projects**

Several projects to upgrade the Trans-Canada Highway east of Golden have been completed, ensuring this important route will be safer and more reliable for travellers this winter. Blair Lekstrom, B.C.'s Minister of Transportation and Infrastructure said "The completion of these projects is a major milestone in Phase 3 of the Kicking Horse Canyon project, with only one final portion to go."

#### **24. Built-in child seats for larger and older children**

The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, on November 25, 2011 announced that the Government of Canada is proposing regulatory amendments to allow built-in child seats and built-in booster seats for use by larger and older children.

#### **25. International Travel Account - Third Quarter 2011 (Preliminary)**

Canada's international travel account deficit reached \$4.0 billion during the 2011 third quarter, down \$106 million from the previous quarter. This was the result of a combination of higher spending by overseas residents in Canada and lower spending by Canadian residents in the United States.

#### **26. September 2011 Surface Trade with Canada and Mexico Rose 13.8 Percent from September 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 neighbours, Canada and Mexico, was 13.8 percent higher in September 2011 than in September 2010, totaling \$77.7 billion. However, this was less than the previous month both in absolute numbers (\$80.6 billion) and as a percent change (25.3%) from a year ago. U.S.-Canada surface transportation trade increased in September 2011 compared to September 2010 with U.S.-Canada reaching \$46.1 billion, a 14.7 percent increase.

## **OTHER**

### **Canada**

#### **1. TPP could take in Canada, Japan, Mexico - become massive**

The nine member Trans-Pacific Partnership agreement to promote trade and investment, received a boost at the APEC (Asia Pacific Economic Conference) summit in Honolulu when Canada, Japan, and Mexico indicated they planned to join the partnership negotiations. It could be an end to supply-management in Canada.

#### **2. Leading economist addresses TTA, provides insight into global issues**

CIBC World Market's managing director and deputy chief economist in his address to the Toronto Trucking Association on November 15, 2011 said that the global situation does not look that dismal based on the facts and is nowhere like the recession of 2008 though there is a lot of uncertainty.

#### **3. Travel between Canada and other countries (September 2011)**

Travel to Canada increased 0.6% from August 2011 to just over 2.0 million trips in September 2011, the result of increases from both the United States and overseas countries. In the opposite direction, travel

from Canada to the United States declined 0.4% from August 2011, while Canadian residents made 3.1% more trips overseas (to 781,000 trips).

#### **4. North American Transportation Statistics**

An updated version of the *North American Transportation Statistics* (NATS) database, a unique online source for comprehensive information on transportation activity, was released on November 17, 2011. The database is the result of a tripartite initiative representing the transportation and statistical agencies of Canada, United States and Mexico.

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2. Leading economist addresses TTA, provides insight into global issues, November 15, 2011, [www.ctl.ca](http://www.ctl.ca)
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#### **New Publications**

1. **Port of Vancouver, November Newsletter**, November 23, 2011, [www.portmetrovancover.com](http://www.portmetrovancover.com)