

Transportation Information Update*

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December 2012 No. 100

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AIR TRANSPORTATION

1. Air Canada and Turkish Airlines enter into Code Share Agreement

Air Canada and Turkish Airlines are pleased to announce on November 30, 2012 a reciprocal code sharing agreement that will make it easy and convenient for customers to connect between the two Star Alliance partner airlines. The agreement, to take effect in the beginning of the second quarter of 2013, will leverage Air Canada's planned Toronto-Istanbul route to be launched this summer pending receipt of government approval.

2. Calin Rovinescu Elected as New Chairman of the Star Alliance Chief Executive Board

Calin Rovinescu, President and Chief Executive Officer of Air Canada, has been elected as the new Chairman of the Star Alliance Chief Executive Board (CEB). He succeeds Rob Fyfe, CEO Air New Zealand, who held the post for the last two years.

3. UPS Offers Concessions to Get EU Nod for \$6.8 Billion TNT Takeover

United Parcel Service on November 30, 2012 offered to sell some European assets and grant competitors access to its air freight network in a bid to secure the European Union's approval for its planned \$6.8 billion takeover of its Dutch rival TNT Express. "The proposed remedies aim to address the EC's concerns regarding the competitive effects of the intended merger on the international express small package market in Europe," the companies said in a joint statement.

4. Air Canada Reports November Load Factor

For the month of November 2012, Air Canada reported a system load factor of 78.1 per cent, versus 75.9 per cent in November 2011, an increase of 2.2 percentage points. System traffic increased 4.6 per cent on a system-wide capacity increase of 1.7 per cent. Air Canada reports traffic results on a system-wide basis, including regional airlines from which Air Canada purchases capacity. Year-to-date statistics on load factor, traffic and capacity all show positive increases compared to the year-to-date statistics a year ago.

5. WestJet reports record November load factor of 82.6 percent

On December 5, 2012, WestJet reported record November 2012 load factor of 82.6%, five points above the same load factor for the same month a year ago. Available seat miles and revenue passenger miles were 1.757b and 1.451b for this month, 1.7 percent and 8.3 percent above the statistics for the same month a year ago. President and CEO, Gregg Saretsky said "We are pleased with this month's record load factor which exceeds the previous November record set in 2010 by 4.9 percentage points."

6. Porter Airlines releases November statistics

Porter Airlines reported a 54.5 per cent load factor for November 2012. This is a decrease from last year of 11.4 points. Figures for the

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1. Air Canada and Turkish Airlines enter into Code Share Agreement, November 30, 2012, www.aircanada.ca
2. Calin Rovinescu Elected as New Chairman of the Star Alliance Chief Executive Board, November 30, 2012, www.aircanada.ca
3. UPS Offers Concessions to Get EU Nod for \$6.8 Billion TNT Takeover, November 30, 2012, www.joc.com
4. Air Canada Reports November Load Factor, December 5, 2012, www.aircanada.ca
5. WestJet reports record November load factor of 82.6 percent, December 5, 2012, www.westjet.ca
6. Porter Airlines releases November statistics, December 5, 2012, www.flyporter.com
7. Airlines to Welcome 3.6 Billion Passengers in 2016, December 6, 2012, www.iata.org
8. Porter Airlines climbs higher in Condé Nast Readers' Choice Awards, December 6, 2012, www.flyporter.com
9. WestJet looking to cut costs as 'cushion' over Air Canada shrinks, December 5, 2012, www.nationalpost.ca
10. ICAO moves forward on air navigation, December 7, 2012, www.americanshipper.com
11. Air Canada, South African Airways Sign Code Share Agreement, December 10, 2012, www.aircanada.ca
12. Delta Buys 49 Percent Virgin Atlantic Stake, December 11, 2012, www.joc.com
13. WestJet signs Catalyst Accord, December 11, 2012, www.westjet.ca
14. Air Canada Voted Top Honours in Travel Magazine Awards, December 12, 2012, www.aircanada.ca
15. Improved Airline Performance in Challenging Environment, December 13, 2012, www.iata.org
16. News Brief: Study Sees Travel Distribution Transformed by 2017, December 13, 2012, www.iata.org
17. Civil aviation operating statistics, October 2012, December 18, 2012, www.statcan.gc.ca
18. Air Canada targets new leisure destinations with low-cost carrier Rouge, Dec. 18, 2012, www.nationalpost.ca

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

month show 126.5 million Available Seat Miles (ASMs) and 68.9 million Revenue Passenger Miles (RPMs). ASMs grew 6.7 per cent from 118.6 million and RPMs decreased 11.9 per cent from 78.2 million in 2011. Robert Deluce, president and CEO of Porter Airlines said “We are encouraged to see passenger yield improve significantly from recent months.” Year-to-date statistics for all three main indicators are positive compared to the previous year-to-date statistics.

7. Airlines to Welcome 3.6 Billion Passengers in 2016

The International Air Transport Association (IATA) released an industry traffic forecast showing that airlines expect to welcome some 3.6 billion passengers in 2016. That’s about 800 million more than the 2.8 billion passengers carried by airlines in 2011. These figures are revealed in the IATA Airline Industry Forecast 2012-2016. This industry consensus outlook for system-wide passenger growth sees passenger numbers expanding by an average of 5.3% per annum between 2012 and 2016. The 28.5% increase in passenger numbers over the forecast period will see almost 500 million new passengers traveling on domestic routes and 331 million new passengers on international services. China will account for one in four new passengers. International freight volumes will grow at 3% per annum to total 34.5 million tonnes in 2016. That is 4.8 million more tonnes of air cargo than the 29.6 million tonnes carried in 2011.

8. Porter Airlines climbs higher in Condé Nast Readers’ Choice Awards

Porter Airlines has received top grades for two years running as the second best airline in the world in the 2012 *Condé Nast Traveler* Readers’ Choice Top Small Airlines category. As the highest rated Canadian airline, Porter also placed fourth overall among the Top 25 Airlines across all categories, up from its sixth place ranking last year.

9. WestJet looking to cut costs as ‘cushion’ over Air Canada shrinks

WestJet Airlines Ltd. estimates that up to two-thirds of the historical cost advantage it enjoyed over Air Canada has been wiped out by the newfound flexibility of its larger rival. This was a result of an arbitrated labour agreement with pilots and a gradual increase in the WestJet’s own costs. WestJet CEO said he would like to increase its cost advantage by increasing the utilization of its planes to more than 12 hours. In addition, new technological measures will also help WestJet continue to grow without hiring at the same rate as Air Canada. These measures include new self-service mechanisms such as kiosks and mobile check-in on smartphones that will allow the airline to drastically reduce its physical footprint at airports and reducing the cost of rent it is charged at airports. Shifting employees to work from their home rather than office will also help cut costs.

10. ICAO moves forward on air navigation

Hoping to clear a muddied path forward for the airline industry and to handle the logistical hardship coming for the world's air navigation systems, the International Civil Aviation Organization has outlined a 15-year air navigation strategy for the global airline business.

11. Air Canada, South African Airways Sign Code Share Agreement

Air Canada and South African Airways (SAA) were pleased to announce on December 10, 2012 a code share agreement that will make it substantially easier for customers to travel between Canada and South Africa. Effective December 13, 2012, customers connecting between the carriers in London or New York will be able to book a single itiner-

19. Harper government enacts all-inclusive airfare advertising laws, December 18, 2012, www.tc.gc.ca
20. All-Inclusive Air Price Advertising, December 18, 2012, www.cta-otc.gc.ca
21. Airlines now face \$25,000 fine if they fail to reveal total ticket price, Dec. 18, 2012, www.nationalpost.ca
22. Air Canada rouge™: Introducing Canada's New Leisure Airline, December 18, 2012, www.aircanada.ca
23. Porter Escapes debut online, Dec. 18, 2012, www.flyporter.com
24. Swiss Regulators Fine Logistics Companies for Price-Fixing, December 19, 2012, www.joc.com
25. Air cargo market to get marginally better in 2013, December 19, 2012, www.americanshipper.com
26. Agency Dismisses Complaints Against Air Canada's Proposed Tariff Revisions to Stop Transporting Non-Human Primates for Research, December 20, 2012, www.cta-otc.gc.ca
27. ATAC Announces the Creation of Civil Aviation Advisory Board, December 18, 2012, www.atac.ca
28. Canada's unfriendly skies: why our airlines need more competition, December 24, 2012, www.globeandmail.ca
29. Australian watchdog approves Qantas-Emirates agreement, December 26, 2012, www.joc.com
30. Canada ratifies the Cape Town Convention and Aircraft Protocol, December 27, 2012, www.tc.gc.ca

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1. DOT Fines Airtrade for Violation of Code-Share Disclosure Rules, November 30, 2012, www.dot.gov
2. DOT Fines Vision Airlines for Charter Violations Related to Direct Air's Shutdown, December 5, 2012, www.dot.gov
3. Airlines Report Two Tarmac Delays Over Three Hours on Domestic Flights, None Longer Than Four Hours on International Flights in October, December 11, 2012, www.dot.gov
4. Freight Shipments Fell 1.9% in October from September, December 12, 2012, www.dot.gov
5. BTS Releases 3rd-Quarter 2012 Airline Financial Data; Largest Airlines Report Profit, December 17, 2012, www.dot.gov
6. Analyst bullish on [US] domestic air industry, December 18, 2012, www.americanshipper.com
7. September 2012 Airline System Passengers Decline 1.1% from September 2011, December 20, 2012, www.dot.gov
8. Mixed results for FedEx in second quarter, December 20, 2012, www.americanshipper.com

-ary and make seamless connections. In addition, as both airlines belong to the Star Alliance, customers can benefit from reciprocal frequent flier accumulation or redemption and lounge access for eligible customers.

12. Delta Buys 49 Percent Virgin Atlantic Stake

Delta Airlines on December 11, 2012 announced that it is buying Singapore Airlines' 49 percent stake in Virgin Atlantic, the United Kingdom's second-largest cargo airline, for \$360 million. Delta also plans to form a trans-Atlantic joint venture with Virgin Atlantic, which is the major competitor to British Airways on lucrative U.K.-U.S. cargo routes.

13. WestJet signs Catalyst Accord

WestJet signed a Catalyst Accord calling all Canadian corporations to increase FP500 board positions to 25 percent of women by 2017. It hopes that this will bring a better balance between qualified men and women in the work place.

14. Air Canada Voted Top Honours in Travel Magazine Awards

Air Canada has once again been named the best airline in North America according to frequent travelers by U.S. travel magazines, *Business Traveler*, *Global Traveler* and *Premier Traveler*.

15. Improved Airline Performance in Challenging Environment

The International Air Transport Association (IATA) announced an upward revision to its industry financial outlook. For 2012 airlines are expected to return a profit of \$6.7 billion (up from the \$4.1 billion forecast in October). This is expected to improve slightly to \$8.4 billion in 2013 (marginally better than the \$7.5 billion forecast in October). Industry net post-tax margin, however, will remain weak at 1.0% in 2012 and 1.3% in 2013. Changes to industry structure, joint ventures and economies of scale, a fall of new entrants and bankruptcies have attributed to efficiency, improved service and better returns.

16. News Brief: Study Sees Travel Distribution Transformed by 2017

The International Air Transport Association (IATA) announced the publication of an independent study identifying major trends that are transforming the travel **distribution** landscape. According to the study: four factors are responsible for this. The study says that "Airlines have morphed into retailers -- true merchants of the skies. As merchants, airlines need systems that can help them not just distribute their flights, but merchandise their products and value across the channels that make sense -- online and offline, direct and indirect -- at sensible costs.

17. Civil aviation operating statistics, October 2012

Operating civil aviation statistics are now available from Statistics Canada.

18. Air Canada targets new leisure destinations with low-cost carrier Rouge

Air Canada will unveil its new low-cost carrier and leisure group on December 18, 2012 under a new brand, **Rouge**, targeting several new leisure destinations in Europe and the Caribbean starting in July 2012. The low-cost carrier, coupled with the airline's new 787 Dreamliners, is expected to have a dramatic impact on the competitiveness of the airline's fleet. Air Canada is said to be targeting several new destinations in Italy, Scotland, Greece, Cuba, the Dominican Republic, Costa Rica and Jamaica.

19. Harper government enacts all-inclusive airfare advertising laws

The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, on December 18, 2012 announced that all-inclusive airfare advertising is now mandated under amendments to the *Air Transportation Regulations*. This will ensure consumers can clearly see the total price of an airline ticket, with no hidden fees. "We are protecting Canadian air travellers by helping them see, clearly and up front, the full cost of air tickets, so they can make informed travel choices," said Minister Lebel. "In addition to benefitting consumers by ensuring transparent advertising, these regulations will promote fair competition between all advertisers." The new rules require air service advertisers to display the total price a consumer must pay in order to fly, including all taxes, fees and charges. The amendments apply to the price of air services advertised in any media to the public, for travel within or originating in Canada.

20. All-Inclusive Air Price Advertising

The regulations on Air Price Advertising will be published on Part II of the *Canada Gazette* on January 2, 2013. The regulations support two key objectives: **1. Enable consumers to easily determine the total advertised air price.** The display of the total price in air price advertising reduces confusion and frustration as to the total price and increases transparency. It also allows consumers to more easily compare prices and make informed choices. **2. Promote fair competition between all advertisers in the air travel industry.** The regulations promote competition by achieving a level playing field for all persons who advertise air prices for travel within, or originating in Canada.**21. Airlines now face \$25,000 fine if they fail to reveal total ticket price**

Failure to abide by the guidelines could result in fines of up to \$25,000 for repeat offenders. The National Airlines Council of Canada, which represents some of the country's largest airlines, including Air Canada, WestJet Airlines Ltd., and Air Transat, said they welcomed the new regulations. Many of its members have moved to an all-in advertising model since the consultation process began.

22. Air Canada rouge™: Introducing Canada's New Leisure Airline

Air Canada on December 18, 2012 unveiled its new leisure airline, marking a milestone in the transformation of Canada's flag carrier to compete in the growing leisure travel sector. Special introductory fares are available for sale beginning on December 18, 2012 at aircanada.com and through travel agents.

23. Porter Escapes debut online

Porter Escapes launched online on December 18, 2012, is offering a one-stop shop for flight and hotel packages to Porter Airlines destinations. Created to sell unique vacation packages paired exclusively with Porter Airlines flights, travellers can enjoy a wide variety of flight and hotel combinations, all carefully curated to provide a premium travel experience for exceptional value.

24. Swiss Regulators Fine Logistics Companies for Price-Fixing

Swiss competition regulators fined four international logistics companies — locally-based Kuehne+Nagel and Panalpina, Germany's Deutsche Bahn/Schenker and Agility of Kuwait — for their role in a global cartel that fixed air cargo prices between 2003 and 2007. The combined fines of 6.2 million francs (\$6.8 million) levied by the Swiss competition authority, Comco, follow much heftier penalties imposed by the European Commission earlier in 2012 following its investigation of the cartel. Panalpina was fined \$3.4 million, and domestic rival Kuehne+Nagel faces a \$1.28 million penalty. Deutsche Bahn and Agility face lower fines of \$1.1 million and \$980,000 after cooperating in the inquiry. The European Commission fined 13 logistics companies a total of \$225 million in March 2012 for participating in the cartel that fixed currency adjustments and surcharges for international air freight.

25. Air cargo market to get marginally better in 2013

The global air cargo market is in flux heading into 2013. Uncertainty over the fiscal cliff makes predictions about domestic cargo nearly impossible, and the ongoing financial crises overseas is also muddying the path forward. According to preliminary year-end figures recently released by the International Civil Aviation Organization, cargo traffic fell by 1.2 percent this year, reflecting slower global trade growth than in 2011.

26. Agency Dismisses Complaints Against Air Canada's Proposed Tariff Revisions to Stop Transporting Non-Human Primates for Research

In a decision released on December 20, 2012, the Canadian Transportation Agency found that Air Canada's proposed tariff revisions to stop transporting non-human primates for research are not unreasonable or discriminatory and do not subject any person or description of traffic to any prejudice or disadvantage. It therefore dismissed the complaints.

27. ATAC Announces the Creation of Civil Aviation Advisory Board

ATAC announces that the newly created Civil Aviation Advisory Board (CAAB) held its first meeting in Ottawa on December 3rd, 2012.

28. Canada's unfriendly skies: why our airlines need more competition

Why do airlines get away with poor customer service? There are two problems. Both are issues of competition. The first problem is the lack of foreign entry into domestic carriage. The current rules on foreign ownership deprive Canadians of choice. For example, Australia has allowed a right of establishment for foreign carriers, resulting in lower fares and expanded routes. My friends actually enjoy their air travel experiences in Europe where airlines compete for their business. In Canada, we remain beholden to Canadian-owned carriers if we want to fly between two Canadian cities. The result is an oligopoly that gouges travellers and takes their business for granted. The 2008 *Competition Policy Review Panel* recognized the drain on the economy that this problem creates and recommended significant liberalization of air travel. The second problem is the bargaining power of unions in this oligopoly context. Market competition disciplines what unions can demand in most industries where there is competition. But this is not so for Canada's airlines.

29. Australian watchdog approves Qantas-Emirates agreement

The competition watchdog in Australia sees no issue with a proposed freight and passenger alliance between Emirates Airline and Qantas Airways, approving the draft agreement, subject to conditions, for five years. "The ACCC considers that the alliance is likely to result in material, although not substantial, benefits to Australian consumers," Rod Sims, chairman of the Australian Competition and Consumer Commission, said in a statement.

30. Canada ratifies the Cape Town Convention and Aircraft Protocol

The Honourable Denis Lebel, Minister of Transport, on December 27, 2012 announced action to strengthen the airline industry through the Cape Town Convention and Aircraft Protocol. These agreements could help Canadian airlines achieve important savings on aircraft financing.

WATER TRANSPORTATION

1. Domestic and International shipping, 2011

Canadian ports handled 466.1 million tonnes of cargo in 2011, a 3.5% increase from 2010. Both domestic and international sectors were responsible for the advance.

2. Both sides in LA/Long Beach strike agree to mediation

Antonio Villaraigosa, mayor of Los Angeles, said at a press conference that the International Longshore and Warehouse Union (ILWU) Local 63, Office Clerical Unit (OCU) and employers represented by the Los Angeles/Long Beach Harbor Employers Association have agreed to have a federal mediator assist them with their contract negotiations. He said mediators from the Federal Mediation and Conciliation Service might become involved in the talks as early as December 4, 2012.

3. LA/Long Beach strike ends; Longshoremen return to work today [December 5, 2012]

Clerical workers at shipping terminals in the ports of Los Angeles and Long Beach have reached agreement on a new contract with employers, ending a strike that had shut down US's two largest ports for a week. The Los Angeles/Long Beach Harbor Employers Association, which represents 14 employers covering 10 terminals in the two ports, said at 11 p.m. Pacific Standard Time that they had reached an agreement on a new contract to replace one that had expired on June 30, 2010.

4. Prince Rupert Container Terminal Reaches Half-Million TEU Milestone

The Port of Prince Rupert celebrated a historic milestone in November 2012 as Fairview Terminal surpassed its original design capacity after just five years of operation. On November 18, 2012, the vessel COSCO Vancouver moved the 500,000th container (TEU) in 2012. During its first full year of operation in 2008, Fairview Terminal moved a modest 182,523 TEUs. Since then a combination of good factors led to this exponential growth.

5. \$10 million to dredge local ports

Vital channels in the Fraser River in Steveston and Ladner will be kept navigable and continue to facilitate economic activity as a result of unprecedented collaborative work bringing together a \$10 million joint commitment announced on December 17, 2012. The announcement was made by Port Metro Vancouver, the Department of Fisheries and Oceans, the B.C. Ministry of Transportation and Infrastructure, the Corporation of Delta, and the City of Richmond.

6. St. Lawrence Seaway's Cargo Traffic Rises 11 Percent

The Saint Lawrence Seaway handled 5.1 million metric tons (about 5.6 million tons) of cargo shipments in November 2012, increasing 11 percent year-over-year. Continuing demand for iron ore, coal and general cargo from the industrial and manufacturing sectors lifted the tonnage numbers, according to Marine Delivers. For the period from March 22, 2012 to Nov. 30, 2012, cargo shipments were 34.6 million metric tons, up 3 percent from the same period in 2011.

7. New Zealand Weighs End of Antitrust Immunity for Carriers

Reform of liner regulations in the Asia-Pacific is set to take its first major step in 2013 when the New Zealand government is expected to withdraw antitrust immunity from international shipping services.

8. European Shippers' Council question rate increase

The European Shippers' Council, which represents freight transportation interests in Europe, has held a meeting to respond to anti-competitive developments in the shipping liner market.

9. Port Metro Vancouver, Accumulated Container Traffic – YTD – November 2012

Total container traffic in terms of TEUs (twenty-foot equivalent units) increased 8.5% to 2,493,753 TEUs for the period January to November 2012 at the Port of Metro Vancouver. Imports increased by 9.9 % and

WATER TRANSPORTATION

Canada

1. Domestic and International shipping, 2011, Nov 30, 2012, www.statcan.gc.ca
2. Both sides in LA/Long Beach strike agree to mediation , December 4, 2012, www.americanshipper.com
3. LA/Long Beach strike ends; Longshoremen return to work today [December 5, 2012], December 5, 2012, www.americanshipper.com
4. Prince Rupert Container Terminal Reaches Half-Million TEU Milestone, Dec. 12, 2012, www.rupertport.com
5. \$10 million to dredge local ports, December 17, 2012, www.portvancouver.com
6. St. Lawrence Seaway's Cargo Traffic Rises 11 Percent, December 19, 2012, www.joc.com
7. New Zealand Weighs End of Antitrust Immunity for Carriers, December 21, 2012, www.joc.com
8. European Shippers' Council question rate increase, December 21, 2012, www.joc.com
9. Port Metro Vancouver, Accumulated Container Traffic – YTD – November 2012, December 24, 2012, www.portvancouver.com

exports increased by 6.9% for this period.

RAIL TRANSPORTATION

1. Canadian Pacific reaches tentative agreement with the CPPA representing its Police Service members

Canadian Pacific (CP) and the Canadian Pacific Police Association (CPPA), representing approximately 60 members of the company's police service, on November 30, 2012 announced that they have reached a tentative five-year collective agreement.

2. Canadian Pacific Railway Limited declares dividend

The Board of Directors of Canadian Pacific Railway Limited on November 30, 2012 declared a quarterly dividend of thirty-five cents (\$0.35) Canadian per share on its outstanding Common Shares. The dividend is payable on January 28, 2013.

3. CP sidetracks plan for powder extension basin, takes 180 million charge

Canadian Pacific Railway Ltd. is shunting aside plans to extend its network into a coal producing region of the western United States. The Calgary-based company announced on December 3, 2012 that it will take a \$180-million non-cash charge on its books as a result of a decision to defer the plan indefinitely.

4. Minister Fletcher and VIA Rail announce improvements to its locomotives, frequencies and infrastructure

On December 3, 2012, the Honourable Steven Fletcher, Minister of State (Transport) and VIA Rail announced the completion of a number of important projects to make travel easier for Canadians. These projects included new scheduling options in the Ottawa-Toronto-Quebec City line, the renovation of F40 (locomotives), and additional safety features at railway crossings in the Quebec-Windsor Corridor. These initiatives will lead to safer, faster, and more efficient service in the Quebec-Windsor corridor and are part of VIA Rail's modernization plan.

5. CP Looks to Speed Trains, Cut Personnel and Shrink Rail Network

Canadian Pacific Railway plans to run faster and longer trains, cut roughly 4,500 positions and possibly sell rail lines in the U.S., as the railroad works to hit an operating ratio in the mid-60s by 2016. The relocation of its headquarter from downtown Calgary to CP-owned Ogden Yard and the recent decision not to extend its Dakota, Minnesota & Eastern Railroad network into Power River Basin — a result of the sluggish coal market — are part of initiative. The bold plans are part of the new President and CEO's, (E. Hunter Harrison) aim to lift the least-profitable North American railroad, which has an operating ratio of 74.1 percent in the third and most recent quarter.

6. Canadian Pacific outlines new vision for the future

Canadian Pacific President and CEO (E. Hunter Harrison) on December 4, 2012 outlined CP's go-forward plan for change that will greatly improve service, increase the railway's efficiency, lower cost and grow the business. "Momentum is building at Canadian Pacific and the organization is driving to a culture of intense focus on operations. Service will be what drives this organization, by providing a premium, reliable product offering through a lower cost operation," Harrison said. The plan for going forward are: 1. Reduce roughly 4,500 employee and/or contractor positions by 2016 - through job reductions, natural attrition and fewer contractors. We expect 1,700 positions to be eliminated by year end. 2. Build new longer sidings that will improve

RAIL TRANSPORTATION

Canada

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3. CP sidetracks plan for powder extension basin, takes 180 million charge, December 3, 2012, www.globeandmail.ca
4. Minister Fletcher and VIA Rail announce improvements to its locomotives, frequencies and infrastructure, December 3, 2012, www.tc.gc.ca
5. CP Looks to Speed Trains, Cut Personnel and Shrink Rail Network, December 4, 2012, www.joc.com
6. Canadian Pacific outlines new vision for the future, December 4, 2012, www.cpr.ca
7. Ottawa Light Rail Transit project contract – on time and on budget, December 5, 2012, www.tc.gc.ca
8. EU Finalizes Plan to Boost Rail Competition, December 6, 2012, www.joc.com
9. Canada Expected to introduce rail legislation Tuesday, December 10 2012, www.joc.com
10. The Harper government moves to strengthen rail freight service, December 11, 2012, www.tc.gc.ca
11. New legislation provides penalties for rail service failure, December 12, 2012, www.globeandmail.ca
12. Proposed railways regulations would hurt Canadian economy, says CN chief Mongeau, December 11 2012, www.nationalpost.ca
13. CN chief calls federal rail service bill unnecessary, overly burdensome, December 11, 2012, www.ctl.ca
14. WGEA Optimistic on Fair Rail Freight Service Bill, December 11, 2012, Western Grain Elevators Association.
15. Canadian rail service legislation puts at risk innovation and supply chain collaboration, says President and CEO Claude Mongeau, December 11, 2012, www.cn.ca
16. Shippers enthusiastic about powers provided under new rail bill, December 11, 2012, www.ctl.ca
17. TCRC- MWED and Canadian Pacific reach tentative contract agreement for Maintenance of Way workers, December 11, 2012, www.cpr.ca
18. Bill Gates boosts stake in CN to

asset utilization and increase train length and velocity – This will allow CP to move the same or increased volumes with fewer trains, and is expected to save over 14,500, or 4%, crew starts. 3. Explore options to maximize full value of existing and anticipated surplus real estate holdings. 4. Relocate CP's current corporate headquarters in downtown Calgary to new office space at CP-owned Ogden Yard by 2014. 5. Review options for the Delaware & Hudson (D&H) in the U.S. Northeast, while maintaining options for continued growth in the energy business. 6. Seek expressions of interest on the 660-mile portion of the former Dakota, Minnesota & Eastern (DM&E), west of Tracy, Minnesota.

7. Ottawa Light Rail Transit project contract – on time and on budget

Mayor Jim Watson, together with Premier Dalton McGuinty and Royal Galipeau, Member of Parliament for Ottawa—Orléans, were present on December 5, 2012 for the announcement that City staff will be recommending to Council that the international consortium known as the Rideau Transit Group be awarded the contract to design, build, finance and maintain the Ottawa Light Rail Transit (OLRT) project, which includes the building and financing of the Highway 417 widening project from the Nicholas Street on ramp to the split with Highway 174.

8. EU Finalizes Plan to Boost Rail Competition

The European Union is finalizing plans to compel railway companies to split their freight and passenger businesses from track management to ease entrance into the industry for new operators. The European Commission, the EU's executive, is set to unveil its latest liberalization program — the so-called “Fourth Railway Package” — in the New Year in a bid to ease the market dominance of state-owned companies in the majority of the EU's 27 member states.

9. Canada Expected to introduce rail legislation Tuesday

Canada is expected on December 11, 2012, to introduce legislation relating to a government report that highlighted shortfalls in freight railroad service. It is not clear at the moment what the amendment to the *Canada's Transportation Act* entails. The Freight Rail Service Review, released in 2011, found two-thirds of surveyed shippers lost money because of poor service. Canadian Pacific and Canadian National railways have since made improvements, but some shippers argue that the changes haven't gone far enough.

10. The Harper government moves to strengthen rail freight service

On December 11, 2012, the Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, along with the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food, announced the introduction of the *Fair Rail Freight Service Act* bill to give companies that ship goods by rail the right to a service agreement with railways. It will also create an arbitration process to establish an agreement when commercial negotiations fail.

11. New legislation provides penalties for rail service failure

Canada's railways will be required to reach service agreements with shippers that request them and could face penalties for violating agreed levels of service under the long-awaited federal legislation. Under the legislation, the railways will be obligated to respond within 30 days of a shipper requesting a service contract. If an agreement cannot be reached through commercial negotiations, service arbitration would be available to a shipper to establish terms of service. The new provisions provide incentives to shippers and the railways to negotiate commercially, and give the Canadian Transportation Agency the power to issue a fine up to \$100,000 for each violation of an arbitrated service level agreement.

12. Proposed railways regulations would hurt Canadian economy, says CN chief Mongeau

Claude Mongeau, chief executive of Canadian National Railway Co., condemned the federal government's decision to table new legislation (the *Fair Rail Freight Service Act*) in Parliament that aims to improve the quality of service provided by the country's largest railway through stiff regulations. Mr. Mongeau warned that the new regulations could unintentionally lead to worse rail service in Canada and hurt the broader economy. “Such an approach would stifle innovation, chill the positive service momentum that's taken

12%, December, 11, 2012, www.globeandmail.ca

19. Shippers confident Bill C-52 will be passed into law with no significant changes, December 12, 2012, www.ctl.ca

20. Canadian Pacific responds to rail service review legislation, December 11, 2012, www.cpr.ca

21. Coalspur and CN agree on key supply chain terms, December 13, 2012, www.cn.ca

22. Railway Carloadings, October 2012, December 19, 2012, www.statcan.gc.ca

23. Railways Exceed Western Grain Revenue Caps for Crop Year 2011-2012, December 19, 2012, www.cta-otc.gc.ca

24. Canadian Pacific comments on decision of federal labour arbitrator, December 19, 2012, www.cpr.ca

25. STB Approves GWI Control of RailAmerica, December 20, 2012, www.joc.com

US

1. France Rail SNCF Fined for Anti-Competitive Behavior, December 20, 2012, www.joc.com

hold and result in potentially unintended consequences for the rail industry and the customers we serve,” he added.

13. CN chief calls federal rail service bill unnecessary, overly burdensome

CN president and CEO Claude Mongeau says that outside of normal operational and commercial issues, there is no evidence of systemic rail service performance problems. “CN invites the government to identify specific, systemic service issues that warrant this legislation,” Mongeau said. “We are ready to address any legitimate problems brought to our attention, in the same way we addressed all the commercial recommendations of the RFSR panel. We will continue to make our case that a commercial framework for the rail industry is what Canada needs to foster prosperity.” Mongeau concluded that “Canada should not put the commercial framework of its rail system at risk through unnecessary and overly burdensome rail regulation,”

14. WGEA Optimistic on Fair Rail Freight Service Bill

The Western Grain Elevator Association (WGEA) is encouraged by Government action on rail service through Bill C-52 introduced on December 11, 2012 in the House of Commons. Grain shippers, the vast majority of whom have single railway access at their locations, have attempted to have rail service issues addressed for over a decade. Grain companies are not able to negotiate balanced agreements for reliable rail service, while railways have the ability to set performance levels for shippers through tariffs.

15. Canadian rail service legislation puts at risk innovation and supply chain collaboration, says President and CEO Claude Mongeau

Claude Mongeau, president and chief executive officer of CN, says that, putting aside normal operational and commercial issues, there is no evidence of systemic rail service performance problems in Canada warranting the federal government's introduction December 11, 2012 of legislation to impose level of service obligations on railways through increased regulation.

16. Shippers enthusiastic about powers provided under new rail bill

The Coalition of Rail Shippers is calling Bill C-52, the *Fair Rail Freight Service Act*, which was introduced in Parliament December 11, 2012, “a step in the right direction” in terms of allowing shippers to get some commercial balance in their negotiations with railways. Ballantyne added that Bill C-52 establishes a legislative framework that will act as a surrogate for the normal competition that most businesses expect daily, explaining that under shippers may now request elements found in normal industrial agreements, i.e. what the seller is selling in some detail (i.e., a product specification), what the buyer will pay, and how disputes will be resolved.

17. TCRC - MWED and Canadian Pacific reach tentative contract agreement for Maintenance of Way workers

The Teamsters Canada Rail Conference – Maintenance of Way Employees Division, representing 2600 maintenance of way workers, and Canadian Pacific reached a tentative historic five-year contract settlement.

18. Bill Gates boosts stake in CN to 12%

Bill Gates has increased his overall stake in Canadian National Railway Co. to about 12 per cent. Cascade Investment LLC, a company owned by the billionaire founder of tech giant Microsoft Corp., says it has acquired an additional 13,670 shares of Canada’s largest railway for \$1.25-million.

19. Shippers confident Bill C-52 will be passed into law with no significant changes

Bill C-52, the *Fair Rail Freight Service Act*, introduced in Parliament, likely has enough support to survive intact through the legislative process and be passed into law by late spring or early summer, according to Bob Ballantyne, head of the Coalition of Rail Shippers. Rail interests, which oppose the bill, will push for significant amendments such as requiring shippers to prove that substantial commercial harm is being caused by their current rail relationship before an SLA is imposed or limiting SLAs to situations where the shipper is captive to one railway. But Ballantyne doesn’t believe the bill will be watered down.

20. Canadian Pacific responds to rail service review legislation

Canadian Pacific on December 11, 2012 commented on the federal government's Rail Freight Service Review (RFSR) amendments to the *Canadian Transportation Act*. Throughout the RFSR process CP has maintained that there is no need for additional regulation between railways and shippers as it is the company's belief that commercial undertakings, coupled with a stable regulatory regime, remains the best approach to promote supply chain coordination and investment.

21. Coalspur and CN agree on key supply chain terms

Coalspur Mines Limited is pleased to announce that it has agreed on binding key terms for the definitive commercial transportation agreement with CN. The Key Terms agreed with CN for Coalspur's Vista Coal Project now complete the logistics costs for Vista.

22. Railway Carloadings, October 2012

The Canadian railway industry carried 28.7 million tonnes of freight in October 2012, a 1.0% advance from October 2011 and the third consecutive year-over-year increase for the month. Intermodal traffic rose to 2.5 million tonnes, a gain of 157 077 tonnes from October 2011. The gain was the direct result of increased containerized cargo shipments as trailer loadings fell during the month.

23. Railways Exceed Western Grain Revenue Caps for Crop Year 2011-2012

The Canadian Transportation Agency on December 19, 2012 issued its Decision No. 477-R-2012, ruling that the revenues of the Canadian National Railway Company (CN) and the Canadian Pacific Railway Company (CP) for the movement of western grain have exceeded their revenue caps for crop year 2011-2012 by less than 0.1 percent. CN's grain revenue of \$542,756,316 was \$240,185 above its cap of \$542,516,131. CP's grain revenue of \$494,436,705 was \$400,132 above its revenue cap of \$494,036,573.

24. Canadian Pacific comments on decision of federal labour arbitrator

Canadian Pacific said on December 19, 2012 that it is pleased that the collective bargaining process with the Teamsters Canada Rail Conference, on behalf of the Running Trade Employees, and Rail Traffic Controllers has finally been concluded and that an agreement is now in place.

25. STB Approves GWI Control of RailAmerica

Short-line and regional railroad company Genesee & Wyoming said on December 20, 2012 that the U.S. Surface Transportation Board has approved its application to control RailAmerica and that company's railroads, effective Dec. 28, 2012.

HIGHWAY TRANSPORTATION

1. Helping Electric Vehicle Drivers Plug In - McGuinty Government Fighting Climate Change, Supporting Green Technology

Ontario is helping electric car owners install charging stations at their homes and businesses to encourage sustainable transportation and fight climate change. Starting Jan. 1, 2013, homeowners and businesses who received a provincial electric vehicle rebate and have installed or are planning to install an electric vehicle charging station will be eligible for rebates of up to \$1,000 or 50 per cent of the total purchase and installation cost, whichever is lower.

2. Progress continues on the Evergreen Line

The final early works contract for the Evergreen Line has been awarded, which lays the ground work for major construction and helps to keep the project on track for 2016. Pedre Contractors Ltd. of Langley was awarded a \$683,000 contract to install underground power lines in Coquitlam.

3. Arnold Transportation takes over LinkAmerica

Arnold Transportation Services, a division of U.S. Xpress Enterprises, has acquired Fort Worth, Texas-based LinkAmerica. The deal is expected to be completed in January. The two companies, which will now employ more than 1,800 drivers and boast a fleet of 1,400 trucks, will conduct business under the Arnold banner. According to a U.S. Xpress release, Arnold is now expected to generate more than \$220 million in annual revenue.

4. Large Urban Transit, October 2012

Total operating revenue (excluding subsidies) for 10 of Canada's largest urban transit systems (80% of total systems) rose 5.7% from October 2011 to \$268.8 million. Over the same period, ridership levels increased 3.5% to 145.5 million passenger trips.

5. Beyond the Border Report Shows Plan Moving in Right Direction

The Canadian Trucking Alliance (CTA) on December 14, 2012 welcomed the federal government's Beyond the Border Action Plan Implementation Report and anticipates more progress to be made in 2013. CTA President David Bradley said "The Action Plan attempts to modernize the border by improving trade

HIGHWAY TRANSPORTATION Canada

1. Helping Electric Vehicle Drivers Plug In - McGuinty Government Fighting Climate Change, Supporting Green Technology, December 3, 2012, www.mto.gov.on.ca
2. Progress continues on the Evergreen Line, December 8, 2012, www.tc.gc.ca
3. Arnold Transportation takes over LinkAmerica, December 7, 2012, www.americanshipper.com
4. Large Urban Transit, October 2012, December 18, 2012, www.statcan.gc.ca
5. Beyond the Border Report Shows Plan Moving in Right Direction, December 14, 2012, www.ontruck.ca
6. York Region transit facility to be built in Richmond Hill, December 19, 2012, www.tc.gc.ca

facilitation and reduce unnecessary regulatory barriers at the vital Canada-U.S. border. It's nice to see that we have made some progress to make that into a reality."

6. York Region transit facility to be built in Richmond Hill

On December 19, 2012, Government officials marked the start of construction of a new transit service facility. The facility will be used to maintain and store York Region Transit/Viva transit vehicles, and will be built near Leslie Street and 16th Avenue in the Headford Business Park. This state-of-the-art facility includes energy-efficient, and environmentally-friendly features and will be built to meet LEED Silver certification.

GENERAL TRANSPORTATION

Canada

1. TransCore's Canadian Freight Index remains steady in November

TransCore's Link Logistics Canadian Freight Index saw no change in month-over-month volumes for November 2012. Year-over-year load volumes were down 15 percent from November 2011. In spite of the decrease, load volumes are still well above the November 2008 recessionary levels by 51 percent.

2. Canada slipping as global destination, tourism industry warns, as Ottawa cuts funding

As part of the belt-tightening in Ottawa, the CTC (Canadian Tourism Commission) will see its core federal funding slashed to \$58-million in 2013 from \$72-million in 2012 and the \$79-million it received, on average, annually over the past decade. The cuts to the CTC, in addition, far exceed the 10% spending cuts Ottawa was seeking across the board in the last federal budget. In 2002 Canada was ranked as 7th tourist destination in the world, in 2011 it was ranked as 18th. As a result of the budget cut, the CTC claims that it will have to concentrate its marketing destination in countries like U.K., France, China, Brazil, and South Korea, where it gets a better return on its investment. While in the past, the Canadian tourist market consisted of foreign travellers today it is relying more on Canadian tourists. The tourism industry is asking the government to spend as much as Australia in marketing i.e. about \$130 million. They claim that the government is losing an investment opportunity as Canada earns roughly \$40 for every \$1 spent. It affects various other sectors such as hotel accommodation, transportation, food and other related services.

3. Travel between Canada and other countries, October 2012 Canadian travel to destinations abroad decreased in October 2012, while travel to Canada from abroad was unchanged. Canadian residents took 5.4 million trips to the United States and overseas countries combined, down 1.9% from September 2012. In the opposite direction, US and overseas residents made 2.1 million trips to Canada in October 2012, unchanged from the previous month. Seven of the top 12 overseas markets to Canada posted increases in travel to Canada. The United Kingdom remained the top overseas market, followed by France and Germany.

4. EU, Singapore agree to free trade deal

The European Union agreed to a free trade accord with Singapore on December 16, 2012, the latest in a series of bilateral deals that it hopes will ease a deepening sovereign debt crisis and inject growth into stagnating economies.

5. Outlook for Canadian transportation and warehousing sectors stronger than other industries

Weak economic growth is slowing demand for air, truck, rail and water transportation, but industry profitability will rise by 30% this year to \$6 billion thanks to better cost control and rising transportation prices. That's the assessment of the Conference Board of Canada and the Business Development Bank of Canada, which just published their latest *Canadian Industrial Profile* report.

Canada

1. TransCore's Canadian Freight Index remains steady in November, December 13, 2012, www.ctl.ca
2. Canada slipping as global destination, tourism industry warns, as Ottawa cuts funding, December 14, 2012, www.globeandmail.ca
3. Travel between Canada and other countries, October 2012, December 18, 2012, www.statcan.gc.ca
4. EU, Singapore agree to free trade deal, December 17, 2012, www.joc.com
5. Outlook for Canadian transportation and warehousing sectors stronger than other industries, December 18, 2012, www.ctl.ca