

Transportation Information Update*

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January 2012 No. 89

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AIR TRANSPORTATION

1. Air Transport Markets Weaken in November

The International Air Transport Association (IATA) announced global traffic results for November 2011 showing a softening in passenger markets while air cargo markets remained weak compared to levels attained earlier in the year. Passenger traffic was 4.3% above November 2010 levels but this was a particularly weak month. The softening in passenger markets becomes apparent when compared to the previous month (October 2011). This shows a 0.5% decline on a seasonally-adjusted basis. Freight markets were 3.1% below November 2010 levels despite a 1.1% increase on October 2011 performance.

2. WestJet sets sights on Air Canada's title

WestJet Airlines Ltd.'s plan to add smaller planes to its fleet. This is expected to position the carrier so as to enable it to challenge Air Canada for the top spot in carrying domestic traffic by 2017. In early 2011, WestJet had 36% of the domestic market while Air Canada had 56%, the remainder being held by smaller carriers such as Porter Airlines.

3. Government of Canada moves to streamline aviation security regulations

The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, on January 4, 2012 announced that the Government of Canada is taking steps to streamline the *Canadian Aviation Security Regulations* and ensure they reflect the current aviation security environment. This will also align our regulations to meet International Civil Aviation Organization commitments and reflect extensive consultation with industry stakeholders.

4. Air Canada Reports December and Full Year 2011 Traffic

For the month of December 2011, Air Canada reported a system load factor of 81.0 per cent, versus 80.8 per cent in December 2010, an increase of 0.2 percentage points. System traffic increased 3.0 per cent on a system-wide capacity increase of 2.8 per cent. "For the month of December and full year 2011, Air Canada recorded load factors of 81.0 and 81.6 per cent, respectively," said Calin Rovinescu, President and Chief Executive Officer. "Load factor for the full year was the second highest in Air Canada's history, surpassed only by our all-time record of 81.7 per cent for 2010. For both the month of December and 12-month period, we experienced traffic growth in all markets Air Canada serves. These strong results underscore the effectiveness of our disciplined capacity management and award-winning product. I want to thank our employees whose professionalism and focus on taking care of our customers was recognized throughout the year."

5. WestJet reports record December traffic results

WestJet reported record December 2011 traffic results. Its load factor of 80.9 was the second highest ever recorded. Its available seat miles and revenue passenger miles increased by 7.1% and 8%. WestJet CEO stated "We finished the year with strong traffic results confirming that our capacity continues to be absorbed by the market."

AIR TRANSPORTATION

Canada

1. Air Transport Markets Weaken in November, Dec. 30, 2011, www.iata.org
2. WestJet sets sights on Air Canada's title, Jan. 1, 2012, www.globeandmail.ca
3. Government of Canada moves to streamline aviation security regulations, January 4, 2012, www.tc.gc.ca
4. Air Canada Reports December and Full Year 2011 Traffic, January 5, 2012, www.aircanada.ca
5. WestJet reports record December traffic results, January 5, 2012, www.westjet.ca
6. Porter Airlines finishes 2011 with record 2.1 million passengers, January 5, 2012, www.flyporter.com
7. Porter Airlines goes to Washington, January 12, 2012, www.flyporter.com
8. 2011 was the busiest year ever for Thunder Bay International Airport, January 12, 2012, www.cacairports.ca
9. WestJet considering launch of new regional airlines, January 16, 2012, www.westjet.ca
10. Air Traffic Management - Seamless Asian Sky, Airilnes International, December-January 2012, www.iata.org
11. Porter Airlines launches service to Timmins, January 16, 2012, www.westjet.ca
12. Delta, WestJet to launch codesharing agreement, January 17, 2012, www.westjet.ca
13. WestJet mulls premium seating option, January 19, 2012, www.globeandmail.ca
14. US Airways may be developing AMR merger plan, January 20, 2012, www.naionalpost.ca
15. Aircraft movement statistics: Major airports, Jan 24, 2012, www.statcan.gc.ca
16. Air Canada Strengthens Leading Position in New York City with New Non-Stop Flights to JFK and Hourly Flights to LaGuardia, January 25, 2012, www.aircanada.ca
17. Passenger Traffic Reaches Record High at St. John's International Airport, January 24, 2012, www.cacairports/ca
18. WestJet announces service to LaGuardia, Jan 27, 2012, www.westjet.ca
19. Porter Airlines increases New York service to 13 daily flights, January 27, 2012, www.flyporter.com
20. Air Fare First Quarter 2011, January 27, 2011, www.statcan.gc.ca

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

For the fourth quarter its load factor; available seat miles and revenue passenger miles were: 78.7%, 5.329b and 4.194b. This represented changes of: 0.2, 6.1% and 6.4% compared with the fourth quarter of 2010. For the year 2011 its load factor; available seat miles and revenue passenger miles were: 79.7%, 21.786b and 16.891b. This represented changes of: -0.2, 8.5% and 8.2% compared with the previous year (2010).

6. Porter Airlines finishes 2011 with record 2.1 million passengers

Porter Airlines posted record passenger numbers for 2011, including a December 2011 load factor of 63.9 per cent, 1.5 points higher than the previous year. Over 2.1 million passengers travelled with Porter during the year, which is another record compared to 1.56 million in 2010. December 2011 results show 117.6 million Available Seat Miles (ASMs) and 75.2 million Revenue Passenger Miles (RPMs). ASMs increased 26.7 per cent from 92.8 million and RPMs grew 29.9 per cent compared to 57.9 million last year. New destinations were initiated with Windsor and Sault Ste. Marie in Ontario, and Burlington, Vt. Flights were also added to numerous existing markets from Thunder Bay, Ont., to Moncton, N.B. Six new Bombardier Q400 aircraft were delivered during the year. Robert Deluce President and CEO of Porter said “We’re proud of what we’ve accomplished as a team and are ready to make our mark in 2012.”

7. Porter Airlines goes to Washington

Porter Airlines begins its flight to Washington Dulles International Airport on April 16. It will be this Canadian carrier’s sixth U.S. destination with up to three daily roundtrip flights operating between Dulles and Billy Bishop Toronto City Airport.

8. 2011 was the busiest year ever for Thunder Bay International Airport

2011 was the busiest year ever for Thunder Bay International Airport. The airport hosted 719,500 passengers, eclipsing the 2010 volume of 691,826 which represents a 4% increase year over year. The increased interest in the mining sector, and in particular the “Ring of Fire” appear to be the big factors in the increased growth.

9. WestJet considering launch of new regional airlines

WestJet is considering the launch of a new regional airlines in 2013 with 40 smaller turboprop jets. One of the cornerstones of its success is discussing the matter with employees according to the CEO of WestJet.

10. Air Traffic Management - Seamless Asian Sky

According to IATA, Asia-Pacific the largest aviation market is developing fast. The region’s economy is set to grow an average of 4.7% a year for the next 20 years. This will boost its share of world GDP from 27% in 2011 to 35% by 2030. Airlines do not plan to miss out. According to Boeing’s long-term market outlook, Asia-Pacific will need 11,450 new aircraft by 2030, to help cope with a predicted 6.7% average increase in passenger traffic. Cargo growth will be comparable. Such breathtaking activity demands an effective infrastructure.

11. Porter Airlines launches service to Timmins

Porter Airlines celebrated the start of service to Timmins, Ont., with a reception on January 16, 2012 at Timmins Victor M. Power Airport for the inaugural flight from Billy Bishop Toronto City Airport. The new schedule, consists of three daily roundtrip flights between Timmins and downtown Toronto.

12. Delta, WestJet to launch codesharing agreement

Delta and WestJet are launching a codesharing agreement on flights between Canada and the US. This will further extend their existing partnership. Last year the airlines reached a interlining agreement.

13. WestJet mulls premium seating option

WestJet Airlines Ltd. is considering installing premium seating (with more leg room) at the front of its Boeing 737 jets, but will stick with all-economy cabins. They are also planning of starting a subsidiary airline and planning to acquire either Bombardier Q400 or ATR 72-600 aircraft – turboprops that each seat

21. Air Canada to allow older pilots, January 27 2012, www.globeandmail.ca

US

1. DOT Fines AirTran Airways for Violating Price Advertising Rules, January 4, 2012, www.dot.gov

2. US Airlines Report One Tarmac Delay Longer than Three Hours On Domestic Flights, One Longer Than Four Hours on International Flights in November, January 12, 2012, www.dot.gov

3. October 2011 Airline System Traffic Down 1.5 Percent from October 2010, January 18, 2012, www.dot.gov

4. DOT Fines Icelandair for Violating Price Advertising Rules, January 18, 2012, www.dot.gov

5. DOT Fines Two Airlines for Violating Price Advertising Rules, January 23, 2012, www.dot.gov

6. DOT Fines Alitalia for Violating International Baggage Liability Rule, January 23, 2012, www.dot.gov

7. November 2011 Passenger Airline Employment Rose 2.6 Percent from November 2010, January 25, 2012, www.dot.gov

8. 3rd-Quarter 2011 Domestic Air Fares Rose 6.2% from 3rd Quarter 2010, January 26, 2012, www.dot.gov

9. DOT Fines Finnair for Violating Price Advertising Rules, January 27, 2012, www.dot.gov

10. Pocket Guide to [US] Transportation 2012, January 2012, www.bts.gov

about 70 passengers.

14. US Airways may be developing AMR merger plan

US Airways Group Inc. is studying a potential merger with bankrupt AMR Corp. that would fix a weak domestic route system at American Airlines and boost revenue, two people familiar with the matter said. It is believed that some of the problems that the carriers are having could be solved by blending American, the third-largest U.S. airline, with No. 5 carrier, US Airways.

15. Aircraft movement statistics: Major airports (December 2011)

Aircraft take-offs and landings at the 93 Canadian airports with NAV CANADA air traffic control towers and flight service stations increased 6.0% in December 2011 from December 2010. These airports reported 364,649 movements in December 2011.

16. Air Canada Strengthens Leading Position in New York City with New Non-Stop Flights to JFK and Hourly Flights to LaGuardia

Air Canada announced on January 25, 2012 that it will launch triple-daily, non-stop flights between Toronto Pearson and New York City's John F. Kennedy International Airport beginning May 3, 2012 and increase its hourly flights to LaGuardia Airport. This will make Air Canada's the only carrier that operates to all three major New York City area airports.

17. Passenger Traffic Reaches Record High at St. John's International Airport

In 2011, approximately 1.4 million people travelled through St. John's International Airport, representing a 4% increase over the record set in 2010. This is a second consecutive year, St. John's International Airport broke a record for the number of passengers travelling through its airport.

18. WestJet announces service to LaGuardia

WestJet announced that it will begin service to LaGuardia airport in November 2012 after winning eight slots at this airport. It will launch seven non-stop flights each day between Toronto and LaGuardia.

19. Porter Airlines increases New York service to 13 daily flights

On January 27, 2011, Porter Airlines announced that it is enhancing its New York service with two additional daily flights and a more convenient schedule. This increases daily roundtrip departures between Billy Bishop Toronto City Airport and Newark Liberty International Airport to as many as 13 flights, and provides a wider range of morning, afternoon and evening departures for passengers.

20. Air Fare First Quarter 2011

The average domestic and international air fare (all types) rose 4.0% in the first quarter of 2011 compared to the same period in 2010, the fifth consecutive year-over-year quarterly advance. The average domestic air fare (all types) paid by passengers was \$188.30 in the first quarter, up 9.9% from \$171.40 reported during the first quarter of 2010. During the same period, the total average international air fare was \$303.80, down 3.7% from \$315.40 in the first quarter of 2010.

21. Air Canada to allow older pilots

Air Canada plans to abandon mandatory retirement for its pilots who turn 60. At least one pilot in the international crew cockpit must be younger than 60 years under the new proposal.

WATER TRANSPORTATION

1. B.C. touts infrastructure spending to boost trade

The province of B.C. claims it has completed one of its busiest construction years to support growing trade with Asia. About \$1.5 billion in construction projects were completed in 2011, mostly dedicated towards improved rail infrastructure for CN and CP Railways. The province has committed \$15 million towards the planned development of the Port of Prince Rupert.

2. Canadian Ports Say US-Bound Traffic Has Fallen

The Canadian ports of Prince Rupert, Vancouver, Halifax and Montreal said on January 4, 2012 that their share of U.S.-bound containerized cargo has dropped in the last decade, contrary to the claims of members of Congress and U.S. West Coast ports that spurred a Federal Maritime Commission inquiry. The four ports told the Federal Maritime Commission that in 2010 their share of U.S.-bound containers was 2.5 percent in 2010, down from 3.2 percent in 2000. In contrast, U.S. ports handle more than 8 percent of the containers destined for Canada.

3. The Changing Tide of U.S.-International Container Trade: Differences among the U.S. Atlantic, Gulf, and Pacific Coasts

The Department of Transportation's Bureau of Transportation Statistics (BTS) on January 6, 2012 released a Special Report, *The Changing Tide of U.S.-International Container Trade*, examining historical U.S. maritime trends, changes in U.S. trading partners, and current U.S. marine trade patterns. The report also compares container vessel calls, container vessel capacity, and the average deadweight tonnage of vessels calling at seaports along the U.S. Atlantic, Pacific, and Gulf Coasts. In addition, the report highlights the typical container port and terminal construction projects recently completed along the Pacific Coast.

4. Prince Rupert Port Authority – Monthly Traffic Summary (December 2011)

Total container traffic at the Port of Prince Rupert for December 2011 was 45,965 TEUs (twenty-foot equivalent units) compared to 23,998 TEUs in December 2010, a 75% increase. For the calendar year 2011, the number of TEUs were 410,469 compared to 343,366 for 2010, an increase of 20%. Imports increased by 21% whereas exports increased by 17%. Most of the traffic today moves in forty foot containers compared to twenty foot containers as in the past.

5. FMC Filings Argue Harbor Tax Doesn't Shift Cargo to Canada

Importers aren't shifting U.S.-bound containers through Canadian ports because they want to avoid paying the Harbor Maintenance Tax, according to the majority of comments made in a Federal Maritime Commission inquiry. Suggestions were made on how they could make US ports more competitive.

6. Marine Atlantic warns of significant rate increases

The Atlantic Provinces Trucking Association (APTA) is decrying impending Marine Atlantic rate increases for commercial vehicles. The ferry operator warned APTA that effective Feb. 12, commercial vehicle rates will go up 4%, drop trailer management fees will increase by \$50 and a security surcharge of \$3.50 will be added to every load.

7. PM announces job-creating investments in the Port of Saguenay

Prime Minister Stephen Harper on January 17, 2011 announced support for the modernization of the Port of Saguenay. He was accompanied by Denis Lebel, Member of Parliament for Roberval – Lac-Saint-Jean, and Minister of Transport, Infrastructure and Communities and Minister of the Economic Development Agency of Canada for the Regions of Quebec. The Prime Minister said “Quebec’s ports play a vital role in

WATER TRANSPORTATION Canada

1. B.C. touts infrastructure spending to boost trade, Jan. 1, 2012, www.ctl.ca
2. Canadian Ports Say US-Bound Traffic Has Fallen, January 4, 2012, www.joc.com
3. The Changing Tide of U.S.-International Container Trade: Differences among the U.S. Atlantic, Gulf, and Pacific Coasts, January 6, 2012, www.bts.gov
4. Prince Rupert Port Authority – Monthly Traffic Summary (December 2011), www.rupertport.com
5. FMC Filings Argue Harbor Tax Doesn't Shift Cargo to Canada, January 10, 2012, www.joc.com
6. Marine Atlantic warns of significant rate increases, January 16, 2012, www.ctl.ca
7. PM announces job-creating investments in the Port of Saguenay, January 17, 2012, www.fc.gc.ca
8. St. Lawrence Seaway Traffic Rose 2.5 Percent Last Year, January 17, 2011, www.joc.com
9. Forecaster says 'another difficult year' for liners, January 17, 2012, www.americanshipper.com
10. Port of Halifax - Snapshot of 2011, Jan. 20, 2012, www.portofhalifax.ca
11. APTA Calls on Feds to Stop Marine Atlantic's 24% Rate Hike, Jan. 19, 2012, www.todaystrucking.com
12. Harper government announces next steps for St. Lawrence Bridge construction, January 22, 2012, www.fc.gc.ca
13. Port of Montreal – Cumulative traffic summary November 2012, January 24, 2012, www.portofmontreal.ca
14. Harper government invests in Canadian ports, January 25, 2012, www.fc.gc.ca
15. Lawrence Seaway carriers grappling with sluggish freight demand, January 25, 2012, www.ctl.ca

US

1. (US) Container forecast flat in January/February, January 16, 2012, www.americanshipper.com

ensuring the constant flow of goods and linking Canada to global markets.`` The investment will create a vital link with Quebec's regional mining industry.

8. St. Lawrence Seaway Traffic Rose 2.5 Percent Last Year

Tonnage shipped on the St. Lawrence Seaway in 2011 rose 2.5 percent year-over-year, reflecting a general improvement in the economy, but at season's end traffic was 13 percent below volumes shipped five years ago, according to the St. Lawrence Seaway Management Co.

9. Forecaster says 'another difficult year' for liners

Container shipping companies "are expected to face another difficult year in 2012 with weak demand growth in both the Europe and U.S. markets," according to the shipping information service Alphaliner.

10. Port of Halifax - Snapshot of 2011

A snapshot by the Port of Halifax indicated the following traffic statistics for 2011. Overall port tonnage for 2011 was down by 0.3% compared to 2010 (in metric tonnes); containerized cargo experienced a 5.3% drop in 2011 (in metric tonnes). Total containerized throughput for 2011 was 410,649 TEUs (a drop of 5.7% in TEUs); breakbulk cargo (e.g.: machinery, metals, forest products) fell by 11.1% compared to 2010 (in metric tonnes); bulk cargo (e.g.: oil and grains) grew by 3.1% over 2010 (in metric tonnes); roll-on/Roll-off cargo (e.g.: vehicles) declined by 1.3% compared to 2010 (in metric tonnes); and 243,577 cruise passengers aboard 122 vessels called at the Port in 2011 compared to 127 vessels in 2010, with five scheduled vessels diverted due to bad weather this year.

11. APTA Calls on Feds to Stop Marine Atlantic's 24% Rate Hike

After the Atlantic Provinces Trucking Association (APTA) was first advised that effective Feb. 12 Marine Atlantic Inc. would raise their rates by 24 percent, it said that the Federal government needs to stop the rate increase before it's too late. APTA indicated that Marine Atlantic should seek ways of controlling its costs rather than passing it on.

12. Harper government announces next steps for St. Lawrence Bridge construction

On January 22, 2012, the Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, and Minister of the Economic Development Agency of Canada for the Regions of Quebec, provided updates regarding construction of the new bridge for the St. Lawrence in Montreal. Minister Lebel officially launched the federal environmental assessment phase of the project to build the new bridge. An estimated \$20 billion worth of international trade crosses the bridge annually and this corridor is important for the regional economy and also benefits the national economy.

13. Port of Montreal – Cumulative traffic summary November 2012

Cargo traffic at the Port of Montreal for the period January 2011 till November 2011 was 1,256,143 TEUs, a 1.9% increase compared to the traffic (1,233,027) for the same period a year ago. Imports were 621,095 TEUs and exports 635,048 TEUs for this period, a 3.1% increase and a 0.7% increase compared to the same period a year ago.

14. Harper government invests in Canadian ports

Government officials announced on January 25, 2012 that the Government of Canada is continuing its commitment to limit air emissions from the Canadian transportation sector. "The Government of Canada is pleased to launch the Shore Power Technology for Ports Program," said Minister Lebel. "This \$27.2-million contribution program will help Canadian ports install shore power, which will reduce air emissions from ships, protect the environment and health of Canadians, and further Canada's economic prosperity."

15. Lawrence Seaway carriers grappling with sluggish freight demand

Total cargo on the St Lawrence Seaway advanced just over 1% to 37 million tonnes, according to preliminary estimates, despite substantial new business in coal exports to Europe and healthy increases in Canadian grain and petroleum shipments. Observers expect little improvement in 2012 in light of a looming recession in Europe and expected slow growth in the United States and Canada.

RAIL TRANSPORTATION

1. CN completes merger of 3 U.S. operating units

Canadian National Railway Co. says it has completed the merger of three of its U.S. operating subsidiaries (Duluth, Missabe and Iron Range Railway Company (DMIR), Duluth, Winnipeg and Pacific Railway Company (DWP), and Wisconsin Central) into one unit, to be named Wisconsin Central Ltd. On December 31, 2011. The move is expected to simplify the freight carrier's corporate structure and combine the separate work forces to improve efficiencies and service to customers.

2. For CP investors, a blunt leader may be the solution

Bill Ackman (head of New York Pershing Square Capital Management LP) has recommended to Canadian Pacific Railway's directors that Mr. Harrison replace Fred Green as CEO of Calgary-based CP according to industry experts. Mr. Harrison served as CEO at rival Canadian National Railway Co. from 2003 to 2009 guiding CN to its successful status.

3. CP pushes back at Ackman over CEO

Canadian Pacific Railway Ltd.'s board of directors is concerned about efforts by an activist shareholder to recruit Hunter Harrison to become the Calgary-based freight carrier's chief executive officer due to his non-compete arrangements with CN, its rival rail company.

4. Talks between Ackman and CP take a nasty turn

Talks about the exchange between Mr. Ackman (who manages a fund controlling 14.2 percent interest in CP) and the CP board of directors is getting a bit confused since rumours went to the press about a change in the top leadership at CP. It was first reported that Mr. Ackman proposed a change in the top leadership but in early January 2012 another member of the Board (Mr. Cleghorn) denied that such a proposal was made at the request of some members of the board. The *Globe and Mail* states "Mr. Ackman said in a letter sent to Mr. Cleghorn on Tuesday "We believe it is the senior-most leadership of the company that must be changed, namely Fred Green, in order for this potential to be unlocked," His response also took aim at Mr. Cleghorn for denying the media reports that some CP directors had expressed interest in Mr. Harrison as a potential CEO candidate."

5. CP executing on clear plan to achieve low 70s Operating Ratio as quickly and efficiently as possible

Canadian Pacific on January 9, 2012 sent a letter to its shareholders from John Cleghorn, Chairman of the Board of Directors. Highlights of the letter include: CP has a Multi-Year Plan verified and endorsed by the Board of Directors to drive volume growth, expand the network and control costs; the Board fully supports CEO and management team; Pershing Square is advocating change in management, but has not presented any detailed, credible plan; Pershing Square does not fully take into account structural differences between CP and peers as well as rising annual pension costs associated with CP's legacy pension plans; Pershing Square suggests unrealistic operating ratio reduction at a pace never before achieved by any railway management team; and the Board is open to views of shareholders and encourages Mr. Ackman to accept offers to join CP Board and participate with full knowledge of the facts in execution of CP's Multi-Year Plan.

6. CP directors back CEO amid activist criticism

Canadian Pacific Railway Ltd.'s directors are defending the company's chief executive officer amid criticisms from an activist U.S. hedge fund. The shareholders were informed in a letter of this. "Having considered Pershing Square's demand, the board came to the unanimous conclusion that replacing the company's chief executive officer, and thereby

RAIL TRANSPORTATION Canada

1. CN completes merger of 3 U.S. operating units, December 30, 2011, www.globeandmail.ca
2. For CP investors, a blunt leader may be the solution, December 30, 2011, www.globeandmail.ca
3. CP pushes back at Ackman over CEO, January 3, 2012, www.globeandmail.ca
4. Talks between Ackman and CP take a nasty turn, January 3, 2012, www.globeandmail.ca
5. CP executing on clear plan to achieve low 70s Operating Ratio as quickly and efficiently as possible, January 9, 2012, www.cpr.ca
6. CP directors back CEO amid activist criticism, January 9, 2012, www.globeandmail.ca
7. Ackman to launch proxy battle against CP board, January 9, 2012, www.globeandmail.ca
8. Hunter Harrison keen to take the reins at CP, January 10, 2012, www.globeandmail.ca
9. Harrison may be in breach of non-compete agreements: CN, January 13, 2012, www.globeandmail.ca
10. Canaccord downgrades CN, raises price targets on CP, January 13, 2012, www.globeandmail.ca
11. CP union wants Fred Green out, January 16, 2012, www.nationalpost.ca
12. NIT league urges STB action, Jan. 17, 2012, www.americanshipper.com
13. Canadian Pacific announces capital plan, January 17, 2012, www.cpr.ca
14. CP, Canadian Tire reach new five year contract, January 19, 2012, www.ctl.ca
15. Canadian Pacific CEO puts up his dukes, January 20, 2012, www.globeandmail.ca
16. Tale of two railways: Why CP may never be CN, January 21, 2012, www.nationalpost.ca
17. Canadian Pacific announces long-term potash agreement, January 23, 2012, www.cpr.ca
18. CN to suspend benefits for former CEO Hunter Harrison, January 24, 2012, www.nationalpost.ca
19. CN reports Q4-2011 net income of C\$592 million, or C\$1.32 per diluted share, on best-ever quarterly revenue, January 24, 2012, www.cn.ca
20. CN hikes dividend 15 per cent, Jan. 24, 2012, www.globeandmail.ca
21. CN Rail beats estimates, hikes dividend, January 24, 2012, www.nationalpost.ca
22. CP turnaround can be dramatic, Harrison vows, January 24, 2012, www.globeandmail.ca
23. 'Co-production' with CP not vital to CN, January 24, 2012,

jeopardizing the successful execution of the multiyear plan, is not in the best interests of CP or its shareholders,” Mr. Cleghorn wrote.

7. Ackman to launch proxy battle against CP board

New York investor activist Bill Ackman said he is preparing to launch a proxy contest to replace the directors of Canadian Pacific Railway Ltd. “We intend to run a proxy contest. We’re going to replace CP’s directors,” Mr. Ackman told *The Globe and Mail* in an interview on January 9, 2012.

8. Hunter Harrison keen to take the reins at CP

Hunter Harrison former CEO of Canadian National railway said he is “excited” about the prospect of running another freight carrier. “I am eager for another opportunity,” Mr. Harrison told *The Globe and Mail* in an exclusive interview on January 10, 2012 from his family home in Wellington, Fla., his first public comments since he emerged as a candidate to run the historic Canadian company.

9. Harrison may be in breach of non-compete agreements: CN

Canadian National Railway Co has served notice to U.S. investor activist Bill Ackman that he and Hunter Harrison may have violated non-compete agreements in their campaign to install Mr. Harrison as the chief executive officer of rival Canadian Pacific Railway Ltd.

10. Canaccord downgrades CN, raises price targets on CP

An analyst has downgraded Canadian National Railway Co. to a “hold” from “buy,” due to recent share price appreciation. But his outlook on the stock remains positive, and he modestly boosted his price target (to \$83 from \$81) and some of his financial forecasts for the railway amid solid growth in shipment volumes. While he expects solid growth in 2012, earnings won’t be quite as robust as they were in 2011. They won’t be in the double digits though this will change in 2013. Canadian Pacific Railway Ltd. is rated as a “buy,” and the price target has been raised to \$80 from \$66 to reflect the possibility that Pershing Square’s push for new management is successful and will spur greater-than-project financial improvements.

11. CP union wants Fred Green out

Bill Ackman’s efforts to oust Canadian Pacific Railway Ltd.’s chief executive, Fred Green, received endorsement on January 16, 2012 from one of the railway’s largest unions. William Brehl, president of Teamsters Canada Rail Conference Maintenance of Way, was unequivocal in his support of Mr. Ackman’s efforts to replace Mr. Green with Hunter Harrison, the former CEO of rival Canadian National Railway Co.

12. NIT league urges STB action

The National Industrial Transportation League has renewed a call for reforms so that captive rail shippers have better access to competing railroads. The NIT League filed comments last week with the Surface Transportation Board as part of the agency’s review of existing regulations to evaluate their viability and determine whether they are effective in addressing problems faced by railroads and shippers.

13. Canadian Pacific announces capital plan

Canadian Pacific Railway Limited on January 17, 2012 announced that, as part of the Company’s Multi-Year Plan, it will invest between \$1.1 billion and \$1.2 billion for infrastructure renewal, network enhancements and expansion projects in 2012. The 2012 Capital Plan will focus on strategic and targeted investments. The major investments include: \$800 million to preserve existing capacities through replacement or renewal of depleted assets; \$275 million for network capacity expansions, business development projects and productivity initiatives; and \$50 million to address capital regulated by governments, principally train control.

14. CP, Canadian Tire reach new five year contract

Canadian Pacific Railway has reached an agreement with Canadian Tire Corporation which extends to early 2017 and awards the railway with the vast majority of Canadian Tire’s domestic container traffic.

15. Canadian Pacific CEO puts up his dukes

Canadian Pacific Railway Ltd.’s chief executive officer is firing back at Bill Ackman’s plans to overhaul the freight carrier, saying the U.S. investor activist is being far too aggressive with targets to cut costs and raise revenue. In a letter to shareholders, he indicates that it is impossible to go from an operating ratio of 78 to 65 in three years. CP’s operating ratio is the highest among the six big north American railways and is much higher than CN’s ratio of 63.1. In the first nine months of 2011, CP’s operating ratio was 82.4 and it is taking measures to bring its operating ratio to the low 70s.

www.globeandmail.ca

24. Railway Carloading – November 2011 (Preliminary), January 25, 2012, www.statcan.gc.ca

25. Canadian Pacific announces strong operating performance and fourth-quarter results, January 26, 2011, www.cpr.ca

26. CN says locomotive engineers in Canada ratify new collective agreement, Jan.27, 2012, www.cn.ca

US

1. Rail Intermodal Volume Soars 22.9 Percent, January 1, 2012, www.ioc.com

16. Tale of two railways: Why CP may never be CN

Mr. Ackman of Pershing Funds started building a position in CP last fall, which now sits at 14.2%. His belief that the poor performance of the company can be turned around is largely based on a consultant's report that it is poor management that is responsible for the results rather than its infrastructure. The obstacles to achieving a turnaround soon and bringing down CP's operating ratio are: labour costs are 6% higher than CN; its pricing policy is not aggressive enough; its investment policy was slightly skewed in the wrong direction (more locomotives); and it lacks the work-corporate culture of CN. It faces several problems in achieving a turnaround in the next few years: its labour contracts or most of it have already been negotiated; its pension costs are going to rise significantly in the next few years; it is difficult to pursue as aggressive a pricing policy with CN since CP is a smaller railway; and it needs time to change the work-corporate culture of CP (CN took ten years to change it). This suggests why CP will find it difficult to be like CN in the next few years.

17. Canadian Pacific announces long-term potash agreement

Canadian Pacific Railway Limited announced on January 23, 2012 a 10-year agreement with Canpotex Limited. Under the agreement, CP will be Canpotex's principal Canadian railway, transporting a large majority of potash shipments to Canpotex's main terminal in Vancouver, British Columbia. In addition, in conjunction with Union Pacific, CP will transport all Canpotex potash shipments to Portland, Oregon.

18. CN to suspend benefits for former CEO Hunter Harrison

Canadian National Railway Co. on January 23, 2012 halted nearly \$40-million in benefits to be paid to its former chief executive, Hunter Harrison, after launching a lawsuit alleging he may have breached, or intends to breach, several confidentiality agreements with the railroad dating back to his retirement in 2009.

19. CN reports Q4-2011 net income of C\$592 million, or C\$1.32 per diluted share, on best-ever quarterly revenue

CN reported its fourth quarter and 2012 results on January 24, 2012. The key results were: net income for the final quarter of 2011 was C\$592 million, or C\$1.32 per diluted share, versus fourth-quarter 2010 net income of C\$503 million, or C\$1.08 per diluted share; adjusted Q4-2011 net income of C\$581 million increased by 16 per cent over comparable adjusted 2010 net income of C\$503 million, with Q4-2011 adjusted diluted earnings per share (EPS) of C\$1.30, up 20 per cent over adjusted diluted EPS of C\$1.08 for the final quarter of 2010; operating income for the fourth quarter of 2011 increased eight per cent to C\$839 million; fourth-quarter revenues increased 12 per cent to a best-ever C\$2,377 million, while carloadings grew by four per cent and revenue ton-miles increased three per cent; fourth-quarter operating ratio was 64.7 per cent, a 1.3-point increase compared with 63.4 per cent for the 2010 final quarter; full-year revenues increased nine per cent to a record C\$9,028 million, while full-year 2011 carloadings rose four per cent and revenue ton-miles increased five per cent; and 2011 free cash flow increased to C\$1,175 million from C\$1,122 million for 2010. For the full year of 2011, net income was C\$2,457 million, or C\$5.41 per diluted share, compared with 2010 net income of C\$2,104 million, or C\$4.48 per diluted share.

20. CN hikes dividend 15 per cent

Canadian National Railway Co. is raising its dividend by 15 per cent, buoyed by an 18-per-cent jump in its fourth-quarter profit. Canada's largest railway reported on January 24, 2012 that its profit for the three months ended Dec. 31 climbed to \$592-million, compared with \$502-million in the same period of 2010. For the full 12 months of 2011, CN posted a \$2.46-billion profit, up from \$2.1-billion in 2010.

21. CN Rail beats estimates, hikes dividend

Canadian National Railway Co. raised its dividend on January 24, 2012 after its fourth quarter earnings beat past expectations. The country's largest railway reported adjusted net earnings of \$1.30 a share for the final quarter of 2011, up nearly 16% from the \$1.08 a share, it earned in the final quarter of 2010. Analysts had been expecting earnings of \$1.25 a share, according to Bloomberg estimates. CN went on to present a rosy outlook for 2012.

22. CP turnaround can be dramatic, Harrison vows

Hunter Harrison former CEO of Canadian Railway said he expects to achieve "just as dramatic a turnaround" at Canadian Pacific Railway Ltd. as he did at Canadian National Railway. Mr. Harrison's remarks were made in a Pershing Square Capital Management statement on January 24, 2011 that outlined its proposed alternative slate of directors. Pershing Square's founder, Mr. Ackman, is seeking to change the CP Board of Directors.

23. 'Co-production' with CP not vital to CN

Canadian National Railway Co. is playing down the importance of reaching new co-operation deals with rival Canadian Pacific Railway Ltd., saying future pacts will only have a modest impact on reducing freight

bottlenecks. Hunter Harrison, CN's former CEO is a proponent of "co-production," the industry term for competitors working together along certain stretches of track in order to move goods more efficiently.

24. Railway Carloading – November 2011 (Preliminary)

Canadian rail freight traffic from both domestic and international operations was up 8.9% in November 2011 from November 2010, to 27.1 million tonnes. Intermodal freight loadings of containers and trailers loaded onto flat cars advanced 6.0% to 2.4 million tonnes.

25. Canadian Pacific announces strong operating performance and fourth-quarter results

Canadian Pacific Railway Limited announced its fourth-quarter and full year 2011 results on January 26, 2011. For the fourth-quarter, CP reported net income of \$221 million and diluted earnings per share of \$1.30, inclusive of \$0.22 per share income tax benefit. For the full year, the company reported net income of \$570 million and diluted earnings per share of \$3.34. Its key results were: total revenues were \$1.4 billion, an increase of \$114 million; operating expenses were \$1.1 billion, an increase of \$109 million; average fuel price increased 29 per cent to \$3.45 U.S. dollars per U.S. gallon; operating income was \$303 million, an increase of \$5 million; net income was \$221 million, an increase of \$35 million; and diluted earnings per share were \$1.30 per share, an increase of \$0.21 per share

26. CN says locomotive engineers in Canada ratify new collective agreement

CN announced on January 27, 2012 that members of the Teamsters Canada Rail Conference (TCRC) have ratified a new collective agreement covering approximately 1,800 locomotive engineers in Canada. The three-year contract, retroactive to Jan. 1, 2012, provides wage increases along with standard benefit improvements to the TCRC-represented locomotive engineers.

HIGHWAY TRANSPORTATION

1. Cell phone restrictions in truck take effect

Starting January 3, 2012, interstate truck drivers are prohibited from using handheld cell phones while driving due to a final rule implemented by the U.S. Transportation Department's Federal Motor Carrier Safety Administration (FMCSA) and Pipeline and Hazardous Materials Safety Administration.

2. Quebec Truckers Add Charges for Traffic Jams

The Quebec Trucking Association (QTA) is endorsing the traffic surcharges that some delivery companies are charging customers in the greater Montreal area.

3. Used truck supply still tight through 2012-13

Used truck inventory is expected to remain tight in 2012 and beyond, even though sales began to slow in the latter half of 2011.

4. CTA's Bradley disappointed in US HoS rewrite

David Bradley, head of the Canadian Trucking Alliance (CTA), has weighed in on the new final rule on US hours-of-service, indicating the changes are disappointing and unnecessary and will impact certain Canadian carriers. It could add to the cost of Canadian carriers operating in the US. He also criticized the rule for not also considering the Canadian rules which are more flexible before making any changes.

5. Shippers say HOS rule hurts supply chains; CTA disappointed with restart change

Manufacturers and retailers have reacted to the recent changes in drivers' hours of service rules, saying the rules will reduce efficiency across their supply chains, complicate delivery schedules and raise costs. Jay Timmons, president and CEO of the National Association of Manufacturers said "The final trucking hours of service rule will have a negative impact on manufacturers' supply chains, distribution operations and productivity."

6. October 2011 Surface Trade with Canada and Mexico Rose 12.0 Percent from October 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 neighbours, Canada and Mexico, was 12.0 percent higher in October 2011 than in October 2010, totaling \$79.0 billion. The month to month increase is slowing down. U.S.-Canada surface transportation trade increased

compared to October 2010 with U.S.-Canada reaching \$46.4 billion, a 14.1 percent increase. In October 2011, Michigan led all states in surface trade with Canada as it has in previous years.

7. TransForce wraps up Quik X acquisition

TransForce announced on January 6, 2012 that it has finalized its acquisition of Quik X. Quik X has a network of 17 centers across Canada and the US with annual revenues of about \$200 million. Included in the deal are about 325 independent contractors and more than 600 employees. This acquisition further enhances TransForce's density and capabilities in the niche expedited LTL (less than truck load) market.

8. No Speed Limiters for B.C., says Truckers Guild

Larry Hall, president of the North American Truckers Guild (NATG), said that the Guild has been notified by B.C. Minister of Transportation that the province will not be legislating speed limiters. It appears that nearly half of all commercial vehicles and nearly all heavy trucks operate below the speed limit reducing the need for legislating the matter.

9. Quarterly Trucking Survey (Second Quarter 2011)

Trucking businesses earned operating revenue of \$10.5 billion in the second quarter of 2011, up 5.9% from the same quarter a year ago. These firms reported operating expenses of \$9.4 billion in the second quarter, compared with \$8.8 billion in the same quarter of 2010. Rising fuel expenses were up 19.4% in the second quarter of 2011 helping to drive the overall increase in expenses from the same quarter a year ago. The

HIGHWAY TRANSPORTATION Canada

1. Cell phone restrictions in truck take effect, January 3, 2012, www.americanshipper.com
2. Quebec Truckers Add Charges for Traffic Jams, January 2, 2012, www.todaystrucking.ca
3. Used truck supply still tight through 2012-13, January 4, 2012, www.cantruck.ca
4. CTA's Bradley disappointed in US HOS rewrite, January 4, 2012, www.ctl.ca
5. Shippers say HOS rule hurts supply chains; CTA disappointed with restart change, January 4, 2012, www.cantruck.ca
6. October 2011 Surface Trade with Canada and Mexico Rose 12.0 Percent from October 2010, January 5, 2012, www.dot.gov
7. TransForce wraps up Quik X acquisition, January 6, 2012, www.ctl.ca
8. No Speed Limiters for B.C., says Truckers Guild, Jan. 6, 2012, www.todaystrucking.com
9. Quarterly Trucking Survey (Second Quarter 2011), January 10, 2011, www.statcan.gc.ca
10. Freight Shipments Rose 0.1% in November from October, January 11, 2012, www.dot.gov
11. UPS adding six new locations in Atlantic Canada, January 12, 2012, www.ctl.ca
12. Mullen Group to invest \$25M into new trucking equipment, January 13, 2012, www.ctl.ca
13. Contrans announces MacKinnon van acquisition, January 16, 2012, www.ctl.ca
14. Federal Red Tape Commission Releases Final Report, January 18, 2012, www.cantruck.ca
15. Large Urban Transit – November 2011 (Preliminary), Jan 25, 2012, www.statcan.gc.ca
16. ATA Tonnage Index Posts 13-Year High, January 24, 2012, www.cantruck.ca
17. Canadian Shippers Report Higher Surface Rates, January 25, 2012, www.joc.com
18. TransCore's North American Freight Index records highest December freight volumes since 2005, January 25, 2012, www.ctl.ca
19. Couriers and Messengers Services Price Index, January 27, 2012, www.statcan.gc.ca

increase in operating expenses (+7.7%) outpaced that of operating revenue, so that operating profit fell 8.3% to \$1.03 billion.

10. Freight Shipments Rose 0.1% in November from October

The amount of freight carried by the for-hire transportation industry rose 0.1 percent in November 2011 from October 2011, rising after a one monthly decrease, according to the U.S. Department of Transportation's Bureau of Transportation Statistics' (BTS) Freight Transportation Services Index (TSI).

11. UPS adding six new locations in Atlantic Canada

UPS, overnight parcel carrier, will be adding six new locations in Atlantic Canada, with cities in each of the four Atlantic provinces. UPS announced in November 2011 a network expansion into Moncton and Halifax beginning in April 2012. That will be followed during the second half of 2012 with the extension of UPS pickup and delivery services for customers in Saint John and Fredericton, N.B.; Sydney and New Glasgow, N.S.; Charlottetown, P.E.I.; and St. John's, Nfld.

12. Mullen Group to invest \$25M into new trucking equipment

Mullen Group is allotting about \$25 million in capital towards purchases for its trucking/logistics segment, to be used "primarily" to replace trucks and trailers. In its 2012 capital expenditure plan, Mullen said it would be buying about 60 trucks and 200 trailers this year. It will also be adding to its "pipeline on wheels" by adding equipment to its fluid hauling fleet. It would also be investing in facilities.

13. Contrans announces MacKinnon van acquisition

Contrans Group has acquired the van division of MacKinnon Transport. The purchase includes the contracts of about 80 drivers and owner/operators as well as the sublease of equipment.

14. Federal Red Tape Commission Releases Final Report

The Harper government's Red Tape Commission issued its final report on January 18, 2012, titled 'Cutting Red Tape; Freeing Business to Grow.' The key recommendations pertaining to trucking are: eliminate administrative burden on small businesses; increase the uniformity in the enforcement of the transport of dangerous goods regulatory regime and reduce administrative burden; provide a predictable and uniform business environment across Canada for the trucking industry and reduce current compliance burden and associated costs; and provide businesses with greater certainty and predictability through reasonable timelines and service standards. These were accompanied with specific tasks for Transport Canada.

15. Large Urban Transit – November 2011 (Preliminary)

Total operating revenue (excluding subsidies) for 10 of Canada's largest urban transit properties rose 3.9% to \$254.5 million in November 2011 compared to the same month a year ago. These 10 companies represent about 80% of total urban transit activity across the country. Over the same period, ridership levels increased 3.3% to 139.7 million passenger trips.

16. ATA Tonnage Index Posts 13-Year High

The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index jumped 6.8 percent in December 2011 after rising 0.3 percent in November 2011. For all of 2011, tonnage rose 5.9 percent over the previous year -- the largest annual increase since 1998.

17. Canadian Shippers Report Higher Surface Rates

Ground transportation rates paid by Canadian shippers rose 1.6 percent month-to-month in November 2011, the ninth straight monthly increase since March 2011. From March to November rates increased by 7.1 percent in total. Fuel surcharges account for a sizeable part of those costs, according to Nulogx, a transportation management company and sponsor of the CGFI (Canadian General Freight Index) index.

18. TransCore's North American Freight Index records highest December freight volumes since 2005

TransCore's North American Freight Index in December 2011 climbed 11 percent compared to December 2010 on the spot market, marking the second highest freight volume for December since 2005.

19. Couriers and Messengers Services Price Index

The Couriers and Messengers Services Price Index decreased 0.4% in December 2011 compared with November 2011. The courier portion fell 0.4%, while the local messenger component declined 0.5%. The index advanced 7.3% in December 2011 compared with the same month in 2010.

GENERAL TRANSPORTATION

Canada

1. Global Freight Volumes Confirm Stagnation and Indicate Near-Term Decline

The latest global freight data collected by the International Transport

Canada

1. Global Freight Volumes Confirm Stagnation and Indicate Near-Term,

Forum at the OECD, through September 2011, highlight concerns over macroeconomic stagnation.

2. National tourism indicators (Third Quarter 2011)

Tourism spending in Canada increased 0.8% in real terms in the third quarter of 2011. This was the ninth consecutive quarterly increase in tourism spending, for a cumulative gain of 8.2%. Higher spending by Canadians at home contributed the most to the third-quarter gain, as foreign travel spending in Canada was virtually unchanged.

3. Minister of Transport discusses transportation in the 21st century

The Minister of Transport in his address at Calgary discussed the Government of Canada's commitment to building a transportation system that responds to Canada's 21st-century needs. He also underlined the importance of having a transportation system that facilitates efficient and reliable movement of people and goods, which will in turn drive economic growth and position Canada more competitively on the world stage.

Statistics Brief 2011, December 2011,

www.cemt.org

2. National tourism indicators (Third Quarter 2011), January 9, 2012, www.statcan.gc.ca

3. Minister of Transport discusses transportation in the 21st century, January 26, 2012, www.tc.gc.ca

US

1. EERP (European Economic Recovery Plan) mid-term review shows EU funding essential to kick-start investment, January 11, 2012, www.europa.eu

2. Weekly Newsletter on Mobility and Transport in Europe, No. 81, January 13, 2012, www.europa.eu