

Transportation Information Update*

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AIR TRANSPORTATION

1. 2012 Best in History of Continuous Safety Improvements

The International Air Transport Association (IATA) announced that the 2012 global accident rate for Western-built jets was the lowest in aviation history. In particular, it indicated that: the 2012 global Western-built jet accident rate (measured in hull losses per million flights of Western-built jets) was 0.20, the equivalent of one accident every 5 million flights; this represented a 46% improvement over 2011, when the accident rate was 0.37, or one accident for every 2.7 million flights; and IATA's 240+ member airlines recorded no Western-built jet hull losses in 2012.

2. Airlines and travel websites face off over flight perks

Mounting tension between two industries - airlines and travel websites (Orbitz, Expedia, etc.) - is growing. Airlines are increasingly moving toward offering customers bundles of travels perks, everything from extra legroom to pre-boarding privileges to more frequent-flyer points, for additional fees. In an industry with low margins, airlines are trying to eke out revenue by differentiating their bundled services. Bundles are hard to buy on third party websites. But airlines need these third party websites even though it costs them very little as they account for 70% of air ticket sales. If airlines pulled out from these websites they would lose their revenue. For flyers on one hand, it costs \$15 to process through third party websites whereas it cost \$2 to process through airline websites. On the other hand, third part websites allow flyers to compare fares with other airlines. The distribution system of marketing air travel has markedly changed over the last few decades and the industry keeps evolving where margins keep on shrinking.

3. Are plans to employ airships for freight transport in northern Canada a viable option or just hot air?

Are airships a viable solution for northern Canada's unique transportation challenges? Supporters and critics of this fledgling mode shared their views at the recent Northern Exposure 2 conference hosted by the University of Manitoba's Transport Institute. Edworthy told conference attendees that airships can provide transport at one third the cost of fixed wing aircraft. Handley claimed that airships burn 80-90% less fuel than equivalent fixed wing aircraft. He envisions airships being used to cost effectively deliver cargo ranging from low density goods to large prefabricated structures up to 500 metric tonnes. On the minus side, airships do not transport passengers and create an imbalance in transport with no cargo on the back leg.

4. Air Canada Frequent Flyers Set for Take-off with "Altitude"

Air Canada's re-branded Top Tier frequent flyer recognition program, "Altitude", came into effect on March 1, 2013, the carrier announced. Specifically designed to recognize and reward Air Canada's most frequent flyers, Altitude offers members a wide range of travel

AIR TRANSPORTATION

Canada

1. 2012 Best in History of Continuous Safety Improvements, February 28, 2013, www.iata.org
2. Airlines and travel websites face off over flight perks, March 1, 2013, www.globeandmail.ca
3. Are plans to employ airships for freight transport in northern Canada a viable option or just hot air?, March 3, 2013, www.ctl.ca
4. Air Canada Frequent Flyers Set for Take-off with "Altitude", March 1, 2013, www.aircanada.ca
5. Signs of Stabilization as Air Cargo Grows in January, March 4, 2013, www.iata.org
6. Civil aviation operating and financial statistics, 2011, March 5, 2013, www.statcan.gc.ca
7. WestJet reports record February load factor of 86.1 percent, March 5, 2013, www.westjet.ca
8. WestJet updates carryon baggage allowance, March 5, 2013, www.westjet.ca
9. Passenger Demand Uptick Continues in 2013, March 5, 2013, www.iata.org
10. Canadians Have Access to All-Inclusive Air Prices as Airlines Transition to New Advertising Requirements, March 5, 2013, www.cta-otc.gc.ca
11. Porter Airlines releases February statistics, March 5, 2013, www.flyporter.com
12. WestJet and Air France launch new partnership, March 7, 2013, www.westjet.ca
13. Air Canada Reports Record February Load Factor, March 7, 2013, www.aircanada.ca
14. Porter Airlines plots path forward as rivals fill planes, March 10, 2013, www.nationalpost.ca
15. Priorities for Air Cargo, March 12, 2013, www.iata.org
16. Japanese forwarder fined \$18.9 million, March 11, 2013, www.americanshipper.com
17. Air Canada Pension Funding Arrangements to be Extended with Specific New Conditions Attached, March 12, 2013, www.aircanada.ca
18. Ottawa gives Air Canada pension

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

privileges, rewards and additional status levels.

5. Signs of Stabilization as Air Cargo Grows in January

The International Air Transport Association (IATA) released global air freight demand statistics for January 2013 showing a stabilization of air freight markets on the back of encouraging growth towards the end of 2012. Compared to the previous year, demand for air freight was apparently very strong, with a rise of 5.0%. Compared to the level of Freight Tonne Kilometers (FTK) in December 2012, air freight volumes in January 2013 were 0.9% lower. Year-on-year capacity expanded by 2.1% and the global load factor stood at 41.9%.

6. Civil aviation operating and financial statistics, 2011

Operational and financial data on Canadian civil aviation are now available for 2011 on the Statistics Canada website.

7. WestJet reports record February load factor of 86.1 percent

On March 5, 2013, WestJet reported its results for February 2013. Its load factor, capacity or available seat miles and revenue passenger miles were: 86.1, 1.867 billion and \$1.608 billion. This was 3.4 points, 3.1% and 7.3% higher than the results for the same month in 2012. It was WestJet's eight consecutive increase in load factor.

8. WestJet updates carryon baggage allowance

WestJet updated its carryon baggage allowance to one piece from two pieces with one personal item, effective April 4, 2013.

9. Passenger Demand Uptick Continues in 2013

The International Air Transport Association (IATA) released global air travel demand statistics for January 2013 showing a continuation of the uptick in passenger travel that began at the end of 2012. Overall, demand was up 2.7% on the previous January which is slightly ahead of the 2.2% expansion in capacity. Load factors stood at 77.1%.

10. Canadians Have Access to All-Inclusive Air Prices as Airlines Transition to New Advertising Requirements

WestJet, Air Canada, Porter, Air Transat, Canadian North, First Air, Air Creebec, Sunwing, Air Inuit and Orca Airways are now displaying all-inclusive air prices on their on-line booking systems— in line with new regulations that came into force on December 18, 2012. The regulations enable consumers to easily determine the total advertised air price and promote fair competition between all advertisers in the air travel industry. They apply to any person who advertises air prices to the public, for travel within, or originating in Canada, through any media.

11. Porter Airlines releases February statistics

Porter Airlines reported a load factor of 54 per cent in February 2013. This represents a decline of 2.1 points compared to 2012. Figures for the month show 104.9 million Available Seat Miles (ASMs) and 56.6 million Revenue Passenger Miles (RPMs), compared to 110.4 million ASMs and 61.9 million RPMs last year. This represented declines of 8.6% and 5%, respectively.

12. WestJet and Air France launch new partnership

WestJet and Air France entered into a new code sharing agreement on March 7, 2013 enabling passengers on Air France flights ten new Canadian destinations and WestJet passengers easy connections on Air France networks.

13. Air Canada Reports Record February Load Factor

For the month of February 2013, Air Canada reported a record system load factor of 79.8 per cent, versus 76.8 per cent in February 2012, an increase of 3.0 percentage points. System traffic decreased 0.7 per cent

break, demands near freeze on executive compensation, March 13, 2013, www.nationalpost.ca

19. Government of Canada invests in safety at Kamloops Airport, March 13, 2013, www.tc.gc.ca

20. Aircraft movement statistics, small airports: November 2012, March 14, 2013, www.statcan.gc.ca

21. WestJet releases response in light of federal decision, March 13, 2013, www.westjet.ca

22. Transat A.T. cuts quarterly loss in half, March 13, 2013, www.westjet.ca

23. News Brief: 7th World Air Cargo Symposium Focuses on Competitiveness e-Freight and Risk-based Supply Chain Security Top Industry Priorities, March 14, 2013, www.iata.org

24. Canjet takes first step to resuming scheduled airline operations, March 16, 2013, www.nationalpost.ca

25. Small Boost to Airline Profitability - Industry Profit Margin Improves to 1.6%, March 20, 2013, www.iata.org

26. FedEx profit falls 31 per cent on air freight weakness, March 20, 2013, www.globeandmail.ca

27. Civil aviation operating statistics, January 2013, March 21, 2013, www.statcan.gc.ca

28. Thomas Cook to sell North American unit to Redtag.ca owner for \$5.3 million, March 20, 2013, www.nationalpost.ca

29. Challenging year for airlines but price hikes still in the cards: report, March 26, 2013, www.globeandmail.ca

30. Air Canada customers connecting to the U.S. through Toronto now benefit from fully-automated baggage handling, March 26, 2013, www.aircanada.ca

31. The Canadian Transportation Agency Launches a Consultation on Baggage Rules, March 26, 2013, www.cta-otc.gc.ca

32. A federal bankruptcy judge signed off Wednesday on the US\$11-billion merger of American Airlines and US Airways, March 27, 2013, www.nationalpost.ca

US

1. Airlines Report Two Tarmac Delays Over Three Hours on Domestic Flights, None Longer Than Four Hours on International Flights in January, March 12, 2013, www.dot.gov

2. IATA disappointed with EC's proposed Revision of EC261, March 13, 2013, www.iata.org

3. December 2012 Airline System Passengers Down 0.3% from December 2011, March 26, 2013, www.dot.gov

on a system-wide capacity decrease of 4.4 per cent.

14. Porter Airlines plots path forward as rivals fill planes

Porter Airlines Inc. has been falling behind its competitors despite the recent good load factors of its two major airlines. But Bob Deluce, Porter chief executive, argues that the decline in traffic at his airline in recent months is the fallout of a concerted effort to drive up prices and bolster its balance sheet as Porter plots the next phase in its development. “We expect to make an announcement over the next several months where we’re heading over the next two or three years and what that will involve in terms of growth, new aircraft and destinations,” he said. Porter has a little more flexibility with its load factors than its rivals. Because of their higher cost structures, both Air Canada and WestJet need to have load factors in the 70s or 80s before they can turn a profit. Porter, on the other hand, with the help of its fleet of fuel-efficient Bombardier Q400s, can turn a profit with a load factor in the mid-to-high 50s, Mr. Deluce said, adding the airline turned a profit in 2012 and will pay a profit share to employees. He acknowledged that intense competition in the eastern triangle has had an impact on its loads as well. Mr. Deluce said he is concerned about WestJet becoming even more competitive but will not shy away from competition.

15. Priorities for Air Cargo

Air cargo is vital to the global economy, transporting more than \$5 trillion worth of goods annually, or more than a third of world trade by value. For airlines, it accounts for about 12% of industry revenues. In light of its importance, the International Air Transport Association (IATA) called on airlines and their partners in the air cargo supply chain to work together to make air cargo more competitive and address the challenges of safety, security and sustainability.

16. Japanese forwarder fined \$18.9 million

Japanese freight forwarding companies "K" Line Logistics and Yusen Logistics have pleaded guilty to price-fixing and have agreed to pay a total of \$18.9 million in fines, according to the U.S. Justice Department. "K" Line Logistics will pay \$3.5 million, while Yusen's fine is \$15.42 million. The two Japanese firms bring the total number of forwarders that have pleaded guilty to price-fixing to 16. The group has been charged a total of \$120 million.

17. Air Canada Pension Funding Arrangements to be Extended with Specific New Conditions Attached

Air Canada and the Government of Canada have agreed to an extension of Air Canada's pension funding arrangements to January 30, 2021. After lengthy negotiations the initial Air Canada proposal was strengthened with additional required solvency payments, a shortened term and specific new conditions that will ensure that all employees and executives of Air Canada are part of the solution. This arrangement comes as a result of the upcoming expiration of the *Air Canada Pension Plan Funding Regulations, 2009* on January 30, 2014. In the current extremely low interest rate environment, Air Canada's pension solvency deficit funding payments would be unsustainable without this extension in place.

18. Ottawa gives Air Canada pension break, demands near freeze on executive compensation

The federal government is helping Air Canada get out of a deep pension hole, but in exchange the airline will face an almost total freeze on executive compensation increases and shareholder payouts. The agreement giving the airline more time to eliminate the \$4.2-billion deficit in its pension plan is only the latest lifeline from Ottawa to the country's largest air carrier and saves it from another brush with insolvency. Under the terms of the deal, Air Canada will be required to pay at least \$150-million annually — in addition to its current service payments — into its pension plan. Overall, the minimum amount required will be \$1.4-billion over seven years, the federal government said.

19. Government of Canada invests in safety at Kamloops Airport

On March 13, 2013, Cathy McLeod, Member of Parliament for Kamloops—Thompson—Cariboo, on behalf of the Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, announced \$544,310 in Airports Capital Assistance Program (ACAP) funding for the construction of a shelter for an aircraft rescue and firefighting truck and related equipment at the Kamloops Airport.

20. Aircraft movement statistics, small airports: November 2012

The number of take-offs and landings for 130 airports without air traffic control towers reached 50,979 movements in November 2012. Moosonee, Ontario (3,545 movements) and Peterborough, Ontario (2,954 movements) were the most active sites.

21. WestJet releases response in light of federal decision

In light of the federal government's decision on Air Canada's pension plan, WestJet indicated it hopes it is the end of special treatment for Air Canada. It indicated it supports free competition and that special treatment works to the disadvantage of other competitive players in the aviation industry.

22. Transat A.T, cuts quarterly loss in half

Transat A.T. reduced its quarterly loss compared to the previous quarter due to a reduction in capacity and higher air fares. The Montreal-based company posted revenue of \$805.7-million in the quarter ended January 31, 2013, compared with \$829.3-million in revenue in the same quarter in 2012. Transat said this was due primarily to the decision to lower its capacity through its travel routes from sun destinations to trans-Atlantic and European routes. This resulted in 12.6 per cent fewer travellers, yet selling prices for travelling was higher than over the same period last year.

23. News Brief: 7th World Air Cargo Symposium Focuses on Competitiveness e-Freight and Risk-based Supply Chain Security Top Industry Priorities

The seventh World Cargo Symposium (WCS) concluded in Doha with a renewed commitment to improve air cargo competitiveness across the supply chain. This includes industry consensus on moving e-freight forward and on pursuing a risk-based approach to supply chain security.

24. CanJet takes first step to resuming scheduled airline operations

CanJet Airlines appears to be once again laying the groundwork for a scheduled service, this time between Canada and Europe and to several sun destinations. The Halifax-based charter airline's parent company, I.M.P. Group Ltd., was granted several large aircraft licenses this week that would allow CanJet to provide scheduled service between Canada and the 27 European member states, Antigua and Barbuda, Costa Rica, and Barbados.

25. Small Boost to Airline Profitability - Industry Profit Margin Improves to 1.6%

The International Air Transport Association (IATA) announced a modest improvement in its outlook for the 2013 financial performance of the global airline industry primarily based on stronger revenues. IATA now expects airlines to produce a combined net post-tax profit margin of 1.6% (up from the previously forecast 1.3%) with a net post-tax profit of \$10.6 billion (up from the previously projected \$8.4 billion).

26. FedEx profit falls 31 per cent on air freight weakness

FedEx Corp. reported a worse-than-expected quarterly profit due to weakness in its air express business, and said it would step up its cost-cutting program as customers shift to cheaper forms of freight transportation. For the 2012 fourth quarter, the No. 2 U.S. package-delivery company said net income fell 31 percent to \$361 million, or \$1.13 per share. Excluding items, FedEx earned \$1.23 per share. Revenue rose 4 percent to \$11.0 billion.

27. Civil aviation operating statistics, January 2013

Operational data on civil aviation is available from Statistics Canada.

28. Thomas Cook to sell North American unit to Redtag.ca owner for \$5.3 million

Thomas Cook Group PLC said it has agreed to sell its North American operations to Red Label Vacations Inc. for \$5.3-million on March 20, 2013. Red Label, which operates the vacation website Redtag.ca, said the deal would see it take over the operations of Thomas Cook Canada Inc. and Thomas Cook USA Holdings, Inc., which operates as a tour operator and distribution network in Canada.

29. Challenging year for airlines but price hikes still in the cards: report

Canadian airlines can count on rising prices in 2013 to compensate for modest growth in traffic, according to the Conference Board of Canada. A slowing domestic economy, a weak economic recovery in the United States and hard times in Europe all add up to a challenging 2013 for the airline industry. After two years of losses the industry is in a position to raise prices with tighter control over costs and capacity management.

30. Air Canada customers connecting to the U.S. through Toronto now benefit from fully-automated baggage handling

Air Canada is becoming an even more attractive option for travellers connecting to the U.S. due to a simplified baggage handling process at its Toronto Lester B. Pearson International Airport hub. The new system sends checked baggage to connecting flights so connecting customers no longer have to retrieve their checked bags for U.S. customs inspection.

31. The Canadian Transportation Agency Launches a Consultation on Baggage Rules

On March 26, 2013, the Canadian Transportation Agency launched a consultation to seek the views of the public and industry on the best approach to the application of baggage rules for transportation to, from and within Canada involving multiple air carriers. Baggage rules address matters such as the number of bags a passenger may check, the weight and size of baggage, how many pieces of baggage a passenger may bring with them on the airplane and excess baggage charges. Carriers can have different policies in this respect, raising the issue of which carrier's policy applies in travel arrangements involving multiple air carriers. Currently, different approaches to baggage rules are used around the world.

32. A federal bankruptcy judge signed off Wednesday on the US\$11-billion merger of American Airlines and US Airways.

A federal bankruptcy judge signed off on March 26, 2013 on the US\$11-billion merger of American Airlines and US Airways. The widely-expected decision by Judge Sean H. Lane helps clear the way for American Airlines and US Airways to form the world's biggest airline, with 6,700 daily flights and annual revenue of roughly US\$40-billion.

WATER TRANSPORTATION

1. Shore power arrives at Swartz Bay Ferry Terminal

Seaspan Ferries Corporation will be installing shore power at the Swartz Bay Ferry Terminal thanks to funding from the Government of Canada through the Shore Power Technology for Ports Program. Shore power is a highly effective way to reduce marine diesel air emissions by enabling ships to shut down their engines and connect to the local electrical grid in order to power their on-board systems while docked.

2. Port of Prince Rupert - Media Advisory

On March 8, 2013, representatives of the Government of Canada, the Government of British Columbia, CN Rail, and the Prince Rupert Port Authority will officially launch construction of the Port of Prince Rupert's \$90-million Road, Rail and Utility Corridor.

3. Construction of \$90-million Road, Rail and Utility Corridor at Port of Prince Rupert will Support Billions in New Terminal Developments and Increase Canadian Trade Capacity and Exports to Asia-Pacific Markets

March 8, 2013 marked the start of construction at Prince Rupert port's \$90-million Road, Rail and Utility Corridor project, which will support billions in new terminal developments and boost Canada's trade capacity and exports to fast-growing Asia-Pacific market. The Road, Rail and Utility Corridor will be a catalyst for significant terminal developments being advanced through private sector investment on the Ridley Island Industrial Site at the Port of Prince Rupert. The project includes construction of five parallel rail tracks, a two-lane roadway, and a port-owned power distribution system along an eight-kilometre corridor. This will provide shared-use infrastructure for proposed potash, liquefied natural gas (LNG) and other terminals on the island.

4. Prince Rupert Port Authority – Monthly Traffic Summary – February 2013

On February 28, 2013, the Port of Prince Rupert reported its monthly traffic statistics for February 2013. Total container traffic in terms of TEUs (47,627) was 54% higher in February 2013 than the same month a year ago. Imports recorded an increase of 71% and exports recorded an increase of 36% compared to February 2012.

5. Report: Global Port throughput growth slows

Global port throughput increased only 4.8 percent in 2012, lower than 7.3 percent in 2011 and 14 percent in 2010, reflecting a worsening economic environment and decreases in international shipping and trade volume, according Shanghai International Shipping Institute's Global Port Development Report 2012. In particular, emerging economies, which have previously boosted global port throughput, lost steam and saw plummeting growth.

6. St. Lawrence Seaway tolls to increase three percent

The St. Lawrence Seaway Management Corp. has modified its toll schedule for the 2013 navigation season, which includes a 3 percent toll increase, following a five-year freeze on rates. The schedule features a new business incentive program, which offers a 20 percent discount for new business; a 10 percent volume rebate incentive program; and a 20 percent service incentive program for new business export cargo for a regular service in the Great Lakes. It also included the pending introduction of a new gateway incentive.

7. Harper government announces first steps towards World-Class Tanker Safety System

WATER TRANSPORTATION Canada

1. Shore power arrives at Swartz Bay Ferry Terminal, March 6, 2013, www.tc.gc.ca
2. Port of Prince Rupert - Media Advisory, March 7, 2013, www.rupertport.com
3. Construction of \$90-million Road, Rail and Utility Corridor at Port of Prince Rupert will Support Billions in New Terminal Developments and Increase Canadian Trade Capacity and Exports to Asia-Pacific Markets, March 8, 2013, www.tc.gc.ca
4. Prince Rupert Port Authority – Monthly Traffic Summary – February 2013, February 28, 2013, www.rupertport.com
5. Report: Global Port throughput growth slows, March 14, 2013, www.joc.com
6. St. Lawrence Seaway tolls to increase three percent, March 15, 2013, www.joc.com
7. Harper government announces first steps towards World-Class Tanker Safety System, March 18, 2013, www.tc.gc.ca
8. DP World sees profit grow 10% in 2012, March 21, 2013, www.americanshipper.com
9. St. Lawrence Seaway navigation season begins, March 25, 2013, www.joc.com
10. Survey: Shipping confidence at two year high, March 26, 2013, www.joc.com

On March 18, 2013, the Harper government announced a number of measures toward the creation of a World-Class Tanker Safety System. The implementation of eight tanker safety measures was announced along with the introduction of the *Safeguarding Canada's Seas and Skies Act*, and the creation of a Tanker Safety Expert Panel to review Canada's current tanker safety system and propose further measures to strengthen it.

8. DP World sees profit grow 10% in 2012

DP World said it had a profit of \$749 million in 2012, 10 percent more than in 2011, and that revenue, at \$3.1 billion, was up 5 percent. EBITDA (earnings before interest, taxes, depreciation, and amortization) was \$1.4 billion, up 8 percent. The company said higher revenue was “driven by strong growth in the Middle East, Europe and Africa region representing our ability to improve revenue from both our container and non-container operations.

9. St. Lawrence Seaway navigation season begins

The St. Lawrence Seaway's 55th navigation season (2013) has opened. “Seaway tonnage is forecast to exceed a total of 40 million [metric tons] for the year,” said Terence Bowles, president and CEO of the St. Lawrence Seaway.

10. Survey: Shipping confidence at two year high

Overall confidence levels in all sectors of the shipping industry recovered to their highest level in two years in the three months ended February 2013, according to the latest Shipping Confidence Survey from international accountant and shipping adviser Moore Stephens. The survey found an improved expectation of freight rate increases over the next 12 months in all shipping sectors and greater likelihood of new investment in the industry

RAIL TRANSPORTATION

1. CN and LBC Tank Terminals team up to increase heavy northern Alberta crude oil shipments through Geismar, La., facility

CN announced on February 28, 2013 that it will increase shipments of heavy northern Alberta crude oil through LBC Tank Terminals' expanded terminal at Sunshine, located within the Geismar, La., Industrial Complex, starting in March 2013. The new service is part of CN's plan to develop new markets for northern Alberta crude oil on the east side of the Mississippi River near the Gulf of Mexico. CN is also moving chemicals from the Chicago area to the LBC Tank Terminals facility at Geismar, which is home to a large concentration of petrochemical industries.

2. Metro Vancouver's SkyTrain system receives upgrades

Construction has begun at Metro Vancouver's Main Street-Science World Station, the first of seven SkyTrain stations to undergo accessibility and safety improvements over the next three years. Metrotown, Commercial-Broadway, Scott Road, Surrey Central, New Westminster, and Joyce-Collingwood stations will also undergo upgrades. Work is anticipated to be finished by 2016. The upgrades at the seven stations cost \$164 million, with funding provided by the Government of Canada, Government of British Columbia and TransLink. The Government of Canada is contributing \$41 million through the Building Canada Fund.

3. NITL: Switching Plan Benefits Shippers, Doesn't Harm Class I Railroads

The National Industrial Transportation League on March 1, 2013 provided the U.S. Surface Transportation Board with a study of NITL's July 2011 proposed new rule to govern competitive switching between railroads. NITL said the study shows that its proposal would add reasonable competition into the freight rail market for the benefit of shippers, without economically harming the nation's Class I railroads.

4. CP Railway may cut as many as 6000 jobs: Harrison

A restructuring underway at Canadian Pacific Railway Ltd. is ahead of target, but job losses at the railroad could reach as high as 6,000 workers, chief executive Hunter Harrison said on March 6, 2013, more than the 4,500 he had originally forecast. Mr. Harrison said the railway has already reduced its head count by more than 3,000 workers, as it eliminated thousands of seasonal worker and consultant positions and their duties were consolidated under a permanent workforce.

5. BNSF chief concerned about effect of service switching

The rail industry opposes a competitive switching proposal made by the National Industrial Transportation League that is being considered by federal regulators both because it is a "property rights question" and for service reasons, said Matthew Rose, BNSF chairman and chief executive officer. The NIT League proposal is backed by several other shipper groups.

6. CN announces Tender Offer and Consent Solicitation for 4.40% Notes due 2013

CN on March 12, 2013 announced that holders of 85 per cent of its 4.40% Notes due 2013 have tendered their notes pursuant to the tender offer and consent solicitation commenced by its wholly-owned subsidiary, CNLX Canada Inc., on Feb. 11, 2013. CNLX Canada Inc. also has accepted and paid for the tendered notes. Notes not tendered and purchased pursuant to the tender offer will remain outstanding until paid by CN on the stated maturity date of March 15, 2013.

7. CN, CP Officials Join Intermodal Transportation Institute Board

CP and CN have joined the Intermodal Transportation Institute (ITI). They have two members on its Board. Now all seven of the Class I railroads — the largest freight railroads in North America — are represented on the board, including BSNF Railway, CSX, Kansas City Southern Railway, Norfolk Southern, Union Pacific and now CP and CN.

RAIL TRANSPORTATION Canada

1. CN and LBC Tank Terminals team up to increase heavy northern Alberta crude oil shipments through Geismar, La., facility, February 28, 2013, www.cn.ca

2. Metro Vancouver's SkyTrain system receives upgrades, March 1, 2013, www.tc.gc.ca

3. NITL: Switching Plan Benefits Shippers, Doesn't Harm Class I Railroads, March 1, 2013, www.joc.com

4. CP Railway may cut as many as 6000 jobs: Harrison, March 7, 2013, www.nationalpost.ca

5. BNSF chief concerned about effect of service switching, March 8, 2013, www.americanshipper.com

6. CN announces Tender Offer and Consent Solicitation for 4.40% Notes due 2013, March 12, 2013, www.cn.ca

7. CN, CP Officials Join Intermodal Transportation Institute Board, March 19, 2013, www.joc.com

8. CN relocates Chicago forest products reload center to Port of Chicago to improve supply chain efficiencies, March 20, 2013, www.cn.ca

9. Bill aims to end railroad antitrust exemption, March 22, 2013, www.joc.com

10. Second US-Canada rail tunnel plan touts trade, March 25, 2013, www.portmontreal.ca

11. Rail Transportation, 2011, March 25, 2013, www.statcan.gc.ca

12. Promise made, promise kept: Evergreen Line construction on track, March 23, 2013, www.tc.gc.ca

13. Railroad carloadings, January 2013, March 27, 2013, www.statcan.gc.ca

14. Shippers calling for changes to Rail bill citing deteriorating service, March 27, 2013, www.ctl.ca

8. CN relocates Chicago forest products reload center to Port of Chicago to improve supply chain efficiencies

CN announced on March 20, 2013 the relocation of its forest products transload operation to North America Stevedoring Company, LLC's operation at the Port of Chicago to improve supply chain efficiencies for lumber customers.

9. Bill aims to end railroad antitrust exemption

Sens. Amy Klobuchar, D-Minn., chair of the Senate Judiciary Committee's Subcommittee on Antitrust, Competition Policy and Consumer Rights, and David Vitter, R-La., ranking member of the Senate Environment and Public Works Committee, have introduced the Railroad Antitrust Enforcement Act, which would eliminate railroads' exemptions from U.S. antitrust laws. "This legislation makes commonsense reforms that will require the railroad industry play by the same antitrust rules as other industries and will help keep costs down for businesses, farmers and consumers," said Klobuchar in a written statement.

10. Second US-Canada rail tunnel plan touts trade

A long-delayed second rail tunnel under the Detroit River to Windsor may finally break ground early next year, supporters say, creating jobs and bolstering international trade. But the project to replace an old double train tunnel between the two cities still has some hurdles, including securing half the amount needed for the \$400 million project from the U.S. and Canadian governments.

11. Rail Transportation, 2011

Data on rail transportation in Canada are now available for 2011.

12. Promise made, promise kept: Evergreen Line construction on track

On March 23, 2013, the Government of Canada, the Government of British Columbia and TransLink announced the construction schedule for the next 12 months and the final station names for the Evergreen Line, the newest rapid transit project in Metro Vancouver opening in summer 2016.

13. Railroad carloadings, January 2013

The Canadian railway industry carried 26.1 million tonnes of freight in January 2013, up 4.9% from January 2012. The increase occurred solely on the strength of domestic rail shipments. The tonnage marked the largest amount of freight carried for the month of January since 1999. Intermodal loadings increased 9.6% to 2.4 million tonnes. Both containerized cargo shipments and trailers loaded onto flat cars contributed to this growth.

14. Shippers calling for changes to Rail bill citing deteriorating service

The Coalition of Rail Shippers (CRS) says a growing deficiency in rail service underscores the need to toughen C-52, the proposed *Fair Rail Freight Service Act*, to help balance the relationship with the railways. "Bill C-52 requires six main amendments to help bring about the balance in the commercial relationship that the government intended," stated Bob Ballantyne CEO of the CRS. "Without them, shippers will continue to find themselves without any material ability to obtain adequate levels of service."

HIGHWAY TRANSPORTATION

1. Couriers and Messengers Services Price Index, January 2013

The Couriers and Messengers Services Price Index increased 2.2% in January 2013 compared with December 2012. The courier portion rose 2.8% while the local messenger component declined 0.1%. The index was up 2.3% in January 2013 compared with the same month in 2012.

2. December 2012 U.S. Surface Transportation Trade with Canada and Mexico Totaled \$71.9 Billion

Trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners, Canada and Mexico, decreased 3.2 percent in December 2012 compared to December 2011, totaling \$71.9 billion, according to the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation. Truck transported \$48 billion of this trade, rail transported \$14 billion of this trade, pipelines transported \$6 billion, air \$4 billion and vessel \$9 billion. U.S.-Canada surface trade was \$42.1 billion in December 2012, while U.S.-Mexico surface trade was \$29.8 billion. Michigan led all states in trade with Canada. For 2012, trade between US and its partners was 960,135 million a 6.2% increase from 2011 trade of 904,133 million.

3. TransForce's 2012 Profit Rose More Than 50 Percent

TransForce reported that its profit in 2012 was \$154.2 million, jumping 51 percent from \$102.2 million in 2011. Annual revenue was at an all-time high of \$3.1 billion, up 17 percent from \$2.7 billion a year earlier, mainly from a \$530 million revenue contribution from significant acquisitions made in 2011.

4. Mergers and Acquisitions in transportation: What's the forecast?

Mergers and Acquisitions activity is expected to intensify in the transportation sector over the next several years. Investors see the prospect of improving their profitability by adding new revenue streams and new customers while rationalizing overheads. Whether it's adding a "tuck in" investment to fill a service void or part of a "grand plan" to become one of the top players in an industry, the time is ripe for change. Discussion of this issue is scheduled for a conference on October 16, 2013 in Mississauga.

5. Trucking Commodity Origin and Destination Survey, 2011

Trucking companies in Canada (those with annual revenue of \$1.3 million or more) hauled more freight in 2011 than in 2010. Total weight transported was 601 million tonnes, up 4.8% from the year before but below the record high of 604 million tonnes reported in 2007. The increase was primarily a result of the growth of freight hauled within Canada. The weight of goods shipped domestically rose 5.1% to 520 million tonnes in 2011. This tonnage was slightly below the pre-economic downturn level set in 2007. Domestic shipments accounted for 87% of total weight and 69% of total revenue. Carriers earned an average of 15.5 cents per tonne-kilometre for these shipments.

6. Minister Fletcher listens to trucking industry perspectives

In his speech, to the Trucking industry in Winnipeg on March 12, 2013, the Minister addressed trucking industry concerns, such as safety and environmental regulations, and road and border infrastructure. "Our government remains focused on four priorities, as outlined by the Prime Minister, that Canadians care most about: their families, the safety of our streets and communities, their pride

HIGHWAY TRANSPORTATION Canada

1. Couriers and Messengers Services Price Index, January 2013, February 28, 2013, www.statcan.gc.ca
2. December 2012 U.S. Surface Transportation Trade with Canada and Mexico Totaled \$71.9 Billion, February 28, 2013, www.dot.gov
3. TransForce's 2012 Profit Rose More Than 50 Percent, March 1, 2013, www.joc.com
4. Mergers and Acquisitions in transportation: What's the forecast?, March 8, 2013, www.ctl.ca
5. Trucking Commodity Origin and Destination Survey, 2011, March 11, 2013, www.statcan.gc.ca
6. Minister Fletcher listens to trucking industry perspectives, March 12, 2013, www.tc.gc.ca
7. Transforce sells part of Vitran stake, March 13, 2013, www.joc.com
8. New US food safety regs will impact Canadian food haulers, March 14, 2013, www.ctl.ca
9. US, Canada reach truck pre-clearance pilot, March 18, 2013, www.americanshipper.com
10. Manitoulin Group of Companies acquires Cratex Industries, March 18, 2013, www.ctl.ca
11. Tepper Acquires Majority Stake in FastFrate, March 19, 2013, www.joc.com
12. US truck tonnage up for fourth straight month: ATA, March 19, 2013, www.americanshipper.com
13. Travel between Canada and Other Countries: January 2013, March 20, 2013, www.statcan.gc.ca
14. Passenger Bus and Transit, 2011, March 21, 2013, www.statcan.gc.ca
15. 2012 Surface Trade with Canada and Mexico Rose 6.2 Percent from 2011, March 21, 2013, www.dot.gov
16. Large Urban transit, January 2013, March 25, 2013, www.statcan.gc.ca
17. Matt Gurney: The problem for funding transit isn't raising the \$50B needed. It's trusting the government to spend it right, March 26, 2013, www.nationalpost.ca
18. Harper government to enhance efficiency of Lacolle Border Crossing, March 27, 2013, www.tc.gc.ca
19. North American Trade Numbers by Mode of Transportation for January [2013], March 27, 2013, www.dot.gov
20. Freight costs and fuel increases marginal to start 2013, March 27, 2013, www.ctl.ca
21. For-hire Motor Carrier Freight Services Price Index, fourth quarter 2012, March 28, 2013, www.statcan.gc.ca
22. Couriers and Messengers Services Price Index, February 2013, March 28, 2013, www.statcan.gc.ca

US

1. [US] Freight shipments rose 1.2% in January from December 2012, March 13, 2013, www.dot.gov

in being a citizen of this country, and of course, their personal financial security," concluded Minister Fletcher.

7. Transforce sells part of Vitran stake

Transforce has indirectly disposed of 500,000 common shares of Vitran Corporation, representing 3.05 percent of the issued and outstanding common shares of Vitran.

8. New US food safety regs will impact Canadian food haulers

The impending US Food Safety Modernization Act (FSMA) will have major implications for Canadian refrigerated trucking companies that haul in or out of the US, as well as Canadian food companies that export product there.

9. US, Canada reach truck pre-clearance pilot

Building on the success of an ocean-import security pilot designed to increase trade efficiency, the United States and Canada on March 14, 2013 reached an agreement in principle to move ahead with a trial program for pre-inspecting U.S.-bound trucks in Canada instead of at the border.

10. Manitoulin Group of Companies acquires Cratex Industries,

Manitoulin Group of Companies has acquired Cratex Industries, an Edmonton-based crating, packaging and export services company. The acquisition is Manitoulin's fourth since May

11. Tepper Acquires Majority Stake in FastFrate

Tepper Holdings has acquired a majority interest in Fastfrate Holdings, which controls Consolidated Fastfrate, Canada Drayage and related trucking and logistics operations, from a fund managed by Fenway Partners.

12. US truck tonnage up for fourth straight month: ATA

US for-hire truck tonnage rose 0.6% in February 2013 after increasing 1% in January 2013, or 4.2% from the same month a year ago according to the latest figures from the American Trucking Associations (ATA). The 1% gain in January was revised down from a 2.4% increase the ATA reported Feb. 19. Tonnage has now increased for four straight months, an event which hasn't happened since late 2011. Over the last four months, tonnage gained a total of 7.7%.

13. Travel between Canada and Other Countries: January 2013

Canadians took 5.5 million trips abroad in January 2013, down 0.4% from December 2012. Travel to the United States rose 0.2% in January to 4.8 million trips, but this increase was outweighed by a drop in trips overseas. Canadians took 769,000 trips to countries other than the United States in January, down 4.3% from December 2012 and the lowest level since December 2011. Travel to Canada remained unchanged at 2.1 million trips in January 2013, as an increase in trips from the United States offset a decrease from overseas countries. More than 1.7 million visitors came to Canada from the United States, up 0.2% from December 2012.

14. Passenger Bus and Transit, 2011

Net income of Canadian bus and transit companies in Canada for 2011 was \$4.59 billion compared to \$4.08 billion in 2010. Total income (operating and non-operating) was \$15.54 billion in 2011 compared to \$14.49 billion in 2010. Total expenses (operating and non-operating) was \$10.94 billion in 2011 compared to \$10.41 billion in 2010.

15. 2012 Surface Trade with Canada and Mexico Rose 6.2 Percent from 2011

Trade using surface transportation modes between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico increased by 6.2 percent in 2012 compared to 2011, valued at \$960 billion in 2012, according to the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation. The \$960 billion in U.S.-NAFTA surface mode trade was the highest annual amount since NAFTA went into effect in 1994. U.S.-Canada surface transportation trade totaled \$556.2 billion in 2012, an increase of 3.6 percent compared to 2011. Michigan led all states in surface trade with Canada in 2012 with \$73.3 billion.

16. Large Urban transit, January 2013

In January 2013, total operating revenue (excluding subsidies) for 10 of Canada's largest urban transit systems (80% of total) rose 15.3% from January 2012 to \$287.4 million. Over the same period, ridership levels increased 10.2% to 145.5 million passenger trips.

17. Matt Gurney: The problem for funding transit isn't raising the \$50B needed. It's trusting the government to spend it right

CivicAction has been working for years to raise public awareness about the need to properly fund Metrolinx's "The Big Move" plan. The Big Move lists dozens of identified transit projects throughout the Greater Toronto and Hamilton Area (GTHA) that, if completed, would not only improve local transit, but

would also create an integrated regional system. Some are already underway. But dozens more remain unstarted and unfunded. We need a funding plan, how to spend it wisely without delay as delay is costly.

18. Harper government to enhance efficiency of Lacolle Border Crossing

The Honourable Denis Lebel, Minister of Transport, Infrastructure and Communities, Minister of the Economic Development Agency of Canada for the Regions of Quebec and Minister of Intergovernmental Affairs, on March 27, 2013 announced significant federal funding to expand and modernize the Lacolle Border Crossing. The Government of Canada will invest up to \$47 million.

19. North American Trade Numbers by Mode of Transportation for January [2013]

The US Bureau of Transportation Statistics reports that for trade between the United States and Canada, trucks carried 53.1 percent of the \$51.0 billion in trade, followed by rail at 16.2 percent, pipelines at 13.9 percent and vessels at 6.1 percent and air at 4.4 percent for January 2013. The surface transportation modes of truck, rail and pipeline carried 83.1 percent of the total U.S.-Canada trade for this month.

20. Freight costs and fuel increases marginal to start 2013

Results published on March 27, 2013 by the Canadian General Freight Index (CGFI) indicate that the Total Cost of ground transportation for Canadian Shippers increased by 0.575 % in January 2013 when compared with December 2012 results.

21. For-hire Motor Carrier Freight Services Price Index, fourth quarter 2012

The For-hire Motor Carrier Freight Services Price Index increased 0.5% in the 2012 fourth quarter from the 2012 third quarter. The general freight trucking component went up 0.7% and the specialized freight trucking component increased 0.1%. Year over year, the index advanced 1.6% in the 2012 fourth quarter.

22. Couriers and Messengers Services Price Index, February 2013

The Couriers and Messengers Services Price Index decreased 0.2% in February 2013 compared with January 2013. The courier portion fell 0.3% while the local messenger component advanced 0.5%. The index increased 2.7% in February 2013 compared with the same month in 2012.

GENERAL TRANSPORTATION

Canada

1. Federal budget boosts infrastructure spending, offers incentives to manufacturing sector

The 2013 federal budget contains some potential positives for the transportation sector. While the government is focusing strongly on skills training through its Canada Job Grant, which provides funds for training in jobs crucial to the manufacturing sector, the budget also provides for infrastructure funding with a \$53 billion dollar investment in roads, bridges and other community infrastructure, \$47 billion of that new money coming in over 10 years, said officials. The Renewed P3 Canada Fund will also offer \$1.25 billion to innovations in public infrastructure.

Canada

1. Federal budget boosts infrastructure spending, offers incentives to manufacturing sector, March 21, www.ctl.ca
2. Tourism satellite account: Human resource module, First quarter of 1997 to fourth quarter 2012, March 25, 2013, www.statcan.gc.ca
3. National tourism indicators, fourth quarter 2012, March 26, 2013, www.statcan.gc.ca

2. Tourism satellite account: Human resource module, First quarter of 1997 to fourth quarter 2012

On March 25, 2013, quarterly estimates of the Human Resource Module of the Canadian Tourism Satellite Account from the first quarter of 1997 to the fourth quarter of 2012.

3. National tourism indicators, fourth quarter 2012

Tourism spending in Canada rose 0.8% in the 2012 fourth quarter, as both spending by Canadians at home and spending by international visitors in Canada increased. Tourism spending by Canadians at home rose 0.5% in the 2012 fourth quarter, continuing an upward trend that began in the third quarter of 2009. Spending by international visitors in Canada rose 1.7% in the fourth quarter. Tourism gross domestic product (GDP) grew by 0.6% in the fourth quarter, following increases of 0.2% the previous two quarters. Transportation (+0.9%) had the strongest gain. Tourism GDP in non-tourism industries was also higher.