

Transportation Information Update*

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AIR TRANSPORTATION

1. Air Canada announces new routes for Eastern Canada providing daily service to New York, Toronto and Edmonton

Air Canada announced on January 4, 2007 that it is introducing non-stop service on three new routes for Atlantic Canada, connecting Halifax and New York City, Deer Lake, NL, and Toronto, and Halifax and Edmonton this coming spring.

2. Air Canada reports December traffic

Air Canada reported a system load factor of 78.9 percent for December 2006 up from 77.3 percent in December 2005. The mainline carrier flew 5.2 percent more revenue passenger miles (RPMs) in December 2006 than in December 2005. Overall, capacity increased by 3.1 percent. Jazz's capacity increased by 20.8 per cent, resulting in a load factor of 72.4 percent, compared to 69.7 per cent in December 2005, an increase of 2.7 percentage points. On a combined basis (Air Canada and Jazz) system traffic rose 6.7 per cent on a capacity increase of 4.5 percent, resulting in a load factor of 78.3 percent. International traffic increased by 2.5%. Load factors for Air Canada, Jazz and the two combined for 2006 over 2005 increased by 0.9, 1.1 and 0.7 points.

3. WestJet Ends 2006 With Record Year-to-Date Load Factor of 78.2 Per Cent

WestJet announced that its year-to-date traffic for 2006 featured an increase in load factor to 78.2%, compared with 74.6% in 2005. Revenue passenger miles (RPMs) and available seat miles (ASMs) for 2006 increased by 24% and 17% over 2005, respectively. WestJet's RPMs increased 22% to 895.7 million for December this year, up from 737.1 million in December 2005. ASMs grew 22% to 1,148.3 million in December 2006, up from 942.2 million in December 2005. The company reported that "Our 2006 performance highlights our ability to consistently operate within the optimal load factor range that allows us to deliver an exceptional guest experience while maintaining industry leading operating performance."

4. Air Canada, WestJet hit record load factors

Canada's two major airlines filled a higher proportion of their available seats in 2006 than in previous years, as high travel demand and efficient scheduling helped boost passenger traffic. WestJet Airlines Ltd. said it achieved a load factor of 78.2 per cent in 2006, up from 74.6 per cent in 2005, even though it added more capacity. At Air Canada, the load factor for 2006 was 81.0 per cent, up from 80.1 per cent in 2005 with an increase in capacity of 0.9 per cent in 2006 to 55.7 billion available seat miles, while its traffic grew 2.1 per cent to 45.1 billion revenue passenger miles. The two have benefited from the demise of Jetsgo and the decisions by Canjet to discontinue its scheduled service in Eastern Canada.

5. Roaring Canadian economy helps fill planes for both Air Canada and WestJet

Canada's strong economy is putting more people in the air, and that has led to some strong year-end traffic numbers for the country's two main airlines, according to the National Post. "This is because of the strong economy," said airline analyst Jacques Kavafian with Toronto-based Research Capital Corp. The companies are now operating where their load factors enable them to begin to realize operational economies.

6. No break on fuel surcharge from Air Canada

While the declining oil prices should make travellers pleased, they should not expect

Current Developments in Brief

Air Transportation

CANADA

1. Air Canada announces new routes for Eastern Canada providing daily service to New York, Toronto and Edmonton, January 4, 2007, www.aircanada.ca
2. Air Canada reports December traffic, January 4, 2007, www.aircanada.ca
3. WestJet Ends 2006 With Record Year-to-Date Load Factor of 78.2 Per Cent, January 4, 2007, www.westjet.ca
4. Air Canada, WestJet hit record load factors, January 5, 2007, www.globeandmail.ca
5. Roaring Canadian economy helps fill planes for both Air Canada and WestJet, January 5, 2006, www.nationalpost.ca
6. No break on fuel surcharge from Air Canada, January 10, 2007, www.globeandmail.ca
7. Passenger Traffic Recovers to Reach Six Month High, January 5, 2007, www.iata.org
8. Canada's New Government Welcomes European Commission Interest in Air Agreement Negotiations, January 10, 2007, www.tc.gc.ca
9. Canada's Airports Urge Transport Minister to Say "Yes" to Open Aviation Area Talks with Europe, January 9, 2007, www.cacairports.ca
10. WestJet Announces Suspension of aiRES Implementation, January 10, 2007, www.westjet.ca
11. WestJet reservation system on hold, January 11, 2007, www.globeandmail.ca
12. WestJet Finalizes Term Sheet for Two Additional Aircraft, January 11, 2007, www.westjet.ca
13. Civil aviation operating statistics, January 16, 2007, www.statcan.ca
14. Aircraft movement statistics: Small airports, January 16, 2007, www.statcan.ca
15. Airports says CSBA resource strain is threatening community opportunities, January 15, 2007, www.cacairports.ca
16. Fly as much as you want between Calgary, Edmonton, Vancouver, Victoria and Abbotsford with Air Canada's new 'Western Commuter Pass' and earn automatic Air Canada elite status for 2007, January 18, 2007, www.aircanada.ca
17. WestJet Announces Three New WestJet Cities in Eastern Canada and Enhanced Summer Schedule, January 17, 2007, www.westjet.ca
18. Air Canada near Olympic sponsorship deal, January 19, 2007, www.globeandmail.ca
19. Air Canada voted 'Best Airline in North America' and 'Best Airline in Canada' by readers of Global Traveler magazine, January 19, 2007, www.aircanada.ca
20. Aircraft movement statistics, *The Daily*, January 22, 2007, www.statcan.ca
21. UK Press Briefing - Remarks by Giovanni Bisignani, January 18, 2007, www.iata.org

* The CTRF is not responsible for the information provided in this Update.

** The information provided is from the Authors and neither the Competition Bureau or Industry Canada is responsible for it.

too much from Canada's largest air carrier. Air Canada says it won't be reducing fuel surcharges. According to the *Globe and Mail*, it did not make the correct decision on oil prices when it locked in at higher prices. Under Air Canada's hedging program, the Montreal-based carrier will be paying a minimum of \$60 (U.S.) a barrel with a series of fuel contracts that account for 26 per cent of its requirements in 2007. WestJet appears not to have made the same mistake as Air Canada. It is believed that Transat Inc., Canada's largest tourist operator, purchases its oil on hedges and that it too did not make the correct decision for this winter's requirements. Fuel cost is typically, the airlines major operating cost.

7. Passenger Traffic Recovers to Reach Six Month High

The International Air Transport Association (IATA) released its November 2006 traffic results that showed year-on-year international passenger traffic growth recovered to 6.7%, the highest growth rate recorded since May 2006. International freight traffic growth for the same period remained sluggish at 3.1%. The average passenger load factor remained strong at 73.9% in November 2006.

8. Canada's New Government Welcomes European Commission Interest in Air Agreement Negotiations

The Honourable Lawrence Cannon, on January 9, 2007 welcomed the European Commission's decision to present a negotiating mandate to its Council of Ministers for approval. He said "I am pleased that the European Commission is eager to negotiate an air agreement with Canada ... The announcement made by the European Commission is a positive development and is consistent with this government's recently announced Blue Sky policy, which commits to actively pursue the negotiation of open agreements when it is in Canada's overall interest." Officials from the Government of Canada and the European Commission are scheduled to meet at the end of February to hold preliminary discussions. The Agreement would replace individual agreements with European Union Member States.

9. Canada's Airports Urge Transport Minister to Say "Yes" to Open Aviation Area Talks with Europe

The Canadian Airports Council urged the federal government to pursue a historic open skies agreement with Canada. The EC is Canada's second largest trading block accounting for \$70.1 billion worth of imports and exports. It is also Canada's second largest source of tourism. According to a study by the EC, an Open Skies Aviation Agreement would generate an increase in passengers by 8 to 14 million by 2014 and would result in consumer benefits of \$110 million through lower prices. It would also result in the creation of new jobs by 3,700.

10. WestJet Announces Suspension of aiRES Implementation

On January 10, 2007, WestJet announced an agreement with Travelport to suspend the current aiRES contract in order to negotiate an amendment to this contract for the successful delivery of their aiRES reservation system.

11. WestJet reservation system on hold

WestJet Airlines Ltd. has decided to shelve a troubled computer reservations system for up to five months while seeking a new contract with software developers to rescue the project. WestJet indicated that it may be forced to take a \$30-million write down if it can't find a way to fix problems with the computer system called AiRes -- short for air reservations. AiRes was intended to make it easier for WestJet to forge international partnerships. WestJet plans to continue using the Navitaire Open Skies reservations network until Dec. 31, 2008.

12. WestJet Finalizes Term Sheet for Two Additional Aircraft

On January 11, 2007, WestJet announced that it has finalized a term sheet with Singapore Aircraft Leasing Enterprise (SALE) for two Boeing Next-Generation 737 aircraft to be delivered in 2009. WestJet indicated that it is pleased to secure two aircraft from SALE in order to continue our expansion plans throughout 2009. The company currently has a registered fleet of 63 aircraft, with committed deliveries scheduled for the remainder of 2007 through to 2009. By the end of 2009, WestJet will have a registered fleet of 83 aircraft.

13. Civil aviation operating statistics

22. Commission proposes a landmark regulatory package for airports, January 24, 2007, www.eu.europa

23. EC Airport Charges Proposal: A First Step In Re-Balancing the Airport/Airline Relationship, January 24, 2007, www.iata.org

24. ACE unit sale revving up, January 26, 2007, www.nationalpost.ca

25. Minister Cannon Appoints an Interim Chair to the Board of the Canadian Air Transport Security Authority (Catsa) and Reacts to the Auditor General's Special Examination of Catsa, January 26, 2007, www.tc.gc.ca

26. Air Canada relocates U.S. transborder departures and arrivals to Terminal 1 at Toronto Pearson Airport - Air Canada consolidates all Toronto flights in Terminal 1, ends Terminal 2 operations, January 29, 2007, www.aircanada.ca

27. Steady, more profitable growth in 2006ss, January 29, 2007, www.iata.org

28. Rent, Border Service, Bilaterals Among Top Priorities for Canadian Competitiveness in 2007, Canada's Airports Say, January 29, 2007, www.cacairports.ca

US

1. November's Airline On-Time Performance Improves from Previous Month But Down from Last Year, January 3, 2007, www.dot.gov

2. BTS Releases Transportation Services Index (TSI); Index Fell 1.0 Percent in November from October, January 10, 2007, www.dot.gov

3. BTS Releases October 2006 Airline Traffic Data; Ten-Month System Traffic Up 0.3 Percent From 2005, January 11, 2007, www.dot.gov

4. BTS Releases November Passenger Airline Employment Data; November 2006 Employment Down 1.6 Percent from November 2005, January 17, 2007, www.dot.gov

5. BTS Releases Third-Quarter 2006 Air Travel Price Index (ATPI); Air Fare Index Reaches Highest Third-Quarter Level in Index's 11 Years; Top Increase in Cincinnati, Top Decrease in Lihue (Kauai), January 24, 2007, www.dot.gov

From May to October 2006, the major Canadian air carriers reported a 3.0% increase in passengers and a 4.2% advance in passenger-kilometres compared to the same period in 2005. WestJet reported that total passenger-kilometres flown surged 23.3% during the six-month period, while the operations of Air Canada grew by 1.0%. Both carriers also noted improvements in their passenger load factors. Over the same period, Air Canada's passenger load factor reached 82.3% and WestJet's passenger load factor stood at 77.4%.

14. Aircraft movement statistics: Small airports

In September 2006, the number of landings and take-offs at airports without traffic control towers numbered 55,073. This was a 5.2 percent increase over August 2006. The year to date increase, however, was much less 2.1 percent. Guelph was the most active airport.

15. Airports says CSBA resource strain is threatening community opportunities

The Canadian Airports Council has asked the federal government to provide adequate funding to the Canadian Border Service Agency to meet service demand. This followed the latest statement by the Agency that it cannot provide adequate service at Deer Lake Regional Airport in Newfoundland. This is affecting opportunities by the local community to take advantage of tourism and trade according to the Canadian Airports Council.

16. Fly as much as you want between Calgary, Edmonton, Vancouver, Victoria and Abbotsford with Air Canada's new 'Western Commuter Pass' and earn automatic Air Canada elite status for 2007

Air Canada announced on January 18, 2007 the launch of a specialized 'Western Commuter Pass', offering business travellers and commuters who fly frequently between five key cities in Alberta and British Columbia more convenient and cost effective travel options, and a unique opportunity to earn automatic Air Canada Elite status for 2007. Options include passes with 10 or 20 credits for a fixed number of pre-purchased flights, or an unlimited flat fee subscription pass to fly as much as you want for three or six months.

17. WestJet Announces Three New WestJet Cities in Eastern Canada and Enhanced Summer Schedule

On January 17, 2007, WestJet announced the introduction of seasonal non-stop service to three new destinations in Eastern Canada: Kitchener-Waterloo-Cambridge (Ontario), Saint John (New Brunswick), and Deer Lake (Newfoundland and Labrador) starting May 14, 2007. These new destinations are part of WestJet's enhanced summer schedule.

18. Air Canada near Olympic sponsorship deal

According to the Globe and Mail, Air Canada is finalizing a sponsorship deal, worth between \$15-million and \$30-million, with the Vancouver Olympic Committee (VANOC) to sponsor the 2010 Winter Olympics. Air Canada's sponsorship would likely give it rights to promote itself as an Olympic sponsor during the next three Olympic Games in Beijing, Vancouver and London.

19. Air Canada voted 'Best Airline in North America' and 'Best Airline in Canada' by readers of Global Traveler magazine

Air Canada has been voted 'Best Airline in North America' and 'Best Airline in Canada' by the readers of the U.S. magazine, for 2006 according to the January 2007 issue of *Global Traveler*.

20. Aircraft movement statistics

Aircraft take-offs and landings at the 42 Canadian airports with NAV CANADA air traffic control towers was 10.8% higher in December 2006 compared with December 2005. This marks the seventh consecutive increase in year-over-year monthly comparisons. Take-offs and landings reached 312,789 movements in December 2006 compared with 282, 289 movements the same month a year earlier.

21. UK Press Briefing - Remarks by Giovanni Bisignani

The world airline industry lost US\$40 billion since 2001 but this year the industry expects its first profit of US\$2.5 billion since 2000. Mr. Bisignani then spoke on two of IATA's most important priorities: safety and efficiency. He then addressed key policy issues: the environment; the regulation of monopoly suppliers; and the ongoing liberalisation.

22. Commission proposes a landmark regulatory package for airports

On January 24, 2007, the European Commission adopted an "airport package" consisting of three key initiatives: a proposal for a directive on airport charges, a communication on airport capacity, efficiency and safety in Europe and a report on the implementation of the ground handling directive. The package focuses on the role of airports in the further development and competitiveness of the European internal aviation market and will mark the future of airport regulation in Europe by ensuring regulatory convergence between Member States. Commission Vice-President Jacques Barrot said "I truly believe that it represents a milestone in the formation of a pan-European regulatory framework for European airports."

23. EC Airport Charges Proposal: A First Step In Re-Balancing the Airport/Airline Relationship

IATA greeted the European Commission proposal for a directive on airport charges as a first step in the process of making

the relationship between airlines and airports better contribute to Europe's competitiveness. The Director-General of IATA said that the proposal moves Europe towards bringing balance back to the relationship between airport monopolies and their customer. Airports need to catch up and keep pace with airline efficiency gains but instead of cost reductions, too often double-digit increases occur.

24. ACE unit sale revving up

ACE executives are looking to capitalize further on the industry's recent turnaround by selling all or part of Air Canada Technical Services (ACTS), which provides aircraft maintenance, repair and overhaul services for more than 100 different customers, including Air Canada. ACTS employs 3,800 workers and operates major bases in Montreal, Toronto, Winnipeg and Vancouver.

25. Minister Cannon Appoints an Interim Chair to the Board of the Canadian Air Transport Security Authority (CATSA) and Reacts to the Auditor General's Special Examination of CATSA

On January, 26, 2006, the Minister welcomed the Auditor General's special examination. He found two significant conclusions. The first conclusion centres on roles and responsibilities and the need for CATSA to focus on security screening operations. The second that CATSA did not, at the time of the audit, have the required management tools and systems in place to demonstrate its security screening performance.

26. Air Canada relocates U.S. transborder departures and arrivals to Terminal 1 at Toronto Pearson Airport - Air Canada consolidates all Toronto flights in Terminal 1, ends Terminal 2 operations

Beginning January 30, 2007, all Air Canada, Air Canada Jazz and Air Canada Vacations passengers will use Terminal 1 at Toronto Pearson Airport when arriving or departing on U.S. trans-border flights. With the opening of the new Pier F at Terminal 1, all Air Canada's U.S. operations will no longer operate from Terminal 2.

27. Steady, more profitable growth in 2006

The International Air Transport Association (IATA) indicated that global passenger growth slowed from the 7.6% recorded in 2005 to 5.9% in 2006. The cargo growth rate on the other hand increased from 3.2% in 2005 to 4.6% in 2006. Average passenger load factors rose to a record high of 76.0%, up from 75.1% in 2005. Operating profit was US\$10.2 billion for 2006 while net losses were reduced to a projected US\$500 million. Cost reduction, improved efficiencies and careful capacity management have positioned the industry to achieve a projected net profit of US\$2.5 billion in 2007.

28. Rent, Border Service, Bilaterals Among Top Priorities for Canadian Competitiveness in 2007, Canada's Airports Say

The Canadian Airports Council welcomed back federal legislators after the winter break by calling for elimination of airport rents, more resources for border services and more liberalized bilateral agreements to promote world competitiveness of Canadian airports.

WATER TRANSPORTATION

1. Port of Halifax welcomes one of the world's largest auto-carriers M/V Toronto

On January 9, 2007, M/V Toronto, one of the world's largest auto-carriers, made its inaugural call at the Port of Halifax. This is the first and only Canadian port of call on its rotation. This vessel is owned and operated by Wallenius Wilhelmsen Logistics. It has the capacity to carry the equivalent of over 6,000 cars.

2. Port of Vancouver - Accumulated Container Traffic Report - Year to Date December 2006

Year-to-date container traffic statistics were released by the Port of Vancouver. For the period January to December 2006, the total number of containers were 2,207,730 an increase of 25% over the same period in 2005. Imports did slightly better than exports, recording an increase of 29% compared to 21%.

3. Macquarie buys Vancouver's Fraser Surrey Docks

Macquarie Bank Ltd. of Australia has acquired the Vancouver-region container and

breakbulk terminal Fraser Surrey Docks, the investor announced on January 17, 2007. This follows the recent sale of nearby terminals Deltaport and Vanterm in the Port of Vancouver by Orient Overseas (International) Ltd. to a Canadian

Water Transportation

Canada

1. Port of Halifax welcomes one of the world's largest auto-carriers M/V Toronto, January 9, 2007, www.portofhalifax.ca
2. Port of Vancouver - Accumulated Container Traffic Report - Year to Date December 2006, January 15, 2007, www.portofvancouver.com
3. Macquarie buys Vancouver's Fraser Surrey Docks, January 19, 2007, www.joc.com
4. Sea Hunt, *The Journal of Commerce*, January 2007, pp. 29/30.
5. Money Talks, *The Journal of Commerce*, January 2007, pp. 38/40.
6. Transfer of the Port of Moosonee to the Town of Moosonee, January 18, 2007, www.tc.gc.ca
7. Vancouver container backlog port's worst ever, January 23, 2007, www.nationalpost.ca

teachers pension fund. The fourth container terminal in the region, Centerm at the Port of Vancouver, was acquired in March, 2006 by DP World of Dubai and continues to operate under the name P&O Ports Canada. Macquarie has invested in container terminal operations on Canada's east coast and on the U.S. West Coast as well as in Europe and Asia.

4. Sea Hunt

Consolidation among container lines could slow in 2007 but some carriers may still seek to acquire some lines. Some carriers that merged last year are still digesting their acquisitions. But the industry continues to be fragmented with the largest carrier accounting for only 12 percent of the trans-Pacific trade. Besides acquisitions, it is likely that the momentum towards cooperative agreements among carriers and carrier alliances may continue.

5. Money Talks

Consolidation of big terminals is having a profound impact on the kind of investment flowing into ports and terminals. In 2006, it was the big year of the investment funds for ports and terminals. As long as the growth of trade continues, interest in investment in port terminals will remain high. Liner companies are also looking to acquire more of their own terminals because of the competitive advantage it gives them. Predictions are that more acquisition deals are on the way, however, there are not likely to be any huge acquisitions or mergers like DP World's acquisition of P&O.

6. Transfer of the Port of Moosonee to the Town of Moosonee

On January 18, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced the transfer of ownership of the Port of Moosonee to the Town of Moosonee.

7. Vancouver container backlog port's worst ever

On January 23, 2007, the operator of Vancouver's biggest container port reported the largest backlog in its history. "As of this morning [the backlog] is 6,800," said Colin Donaldson, the manager of Deltaport, which is owned by TSI Terminal Systems Inc. "It's the highest ground count we've had for rail. This is all weather-related."

RAIL TRANSPORTATION

Canada

1. CN and CPR Exceed Western Grain Revenue Caps for Crop Year 2005-2006

The Canadian Transportation Agency announced on December 29, 2006 that the revenues of the Canadian National Company (CN) and Canadian Pacific Railway Company (CPR) for the movement of Western grain exceeded their revenue caps for crop year 2005-2006. For 2005-2006, CN exceeded the revenue cap by \$2,700,949 and CPR's exceeded it by \$1,495,535. The two now have 30 days to pay their respective excess amounts, in addition to a five per cent penalty.

2. Crew OK after CN train plunges 75m

CN Rail engine crew has been rescued from British Columbia's Fraser Canyon after a locomotive plunged down a steep embankment. A rock slide is blamed after two locomotives and a lumber car jumped the tracks early today near Lytton.

3. CN spells out commitment to rail safety in meeting with Montmagny, Quebec, officials

On January 11, 2007, senior CN operations and engineering officers met with the mayor of Montmagny and other area politicians to underscore CN's commitment to safe operations across its network. CN indicated that it will take specific measures to address municipal concerns following a CN derailment in this community on Jan. 7, 2007. According to its preliminary investigation, CN believes a broken bolthole on a switch component caused the accident.

4. CN reaches tentative collective agreements with the Canadian Auto Workers

On January 15, 2007, CN was pleased to announce that it has negotiated three tentative collective agreements with the Canadian Auto Workers (CAW) union.

5. Engineers on CN's former GTW territory renew hourly-rate labor contract

CN announced on January 16, 2007, the renewal of an hourly-rate labor contract by approximately 240 members of the Brotherhood of Locomotive Engineers and Trainmen Union who work on the company's former Grand Trunk Western

territory.

6. Intermodal: Growth engine for railroads

Intermodal continued to be the fastest-growing line of business for the US railroads in 2006. New records for volume have been set and intermodal growth is likely to continue in 2007 depending on the state of the economy. An important factor in the present growth is the expansion of international intermodal traffic.

7. CN reports 15 per cent rise in adjusted Q4 2006 diluted EPS [earnings per share] and record 2006 annual revenues, operating ratio and free cash flow

CN announced its fourth-quarter results for 2006, on January 23, 2007. The highlights for the fourth quarter compared to the same period in 2005 were: net income of C\$499 million, up 16%; and operating income of C\$756 million, up 5%; operating ratio of 61.1, up .7 of a point. Fourth-quarter 2006 revenues increased three per cent to C\$1,942 million. Revenues benefited from strength in coal, grain and fertilizers, petroleum and chemicals, and intermodal groups. Operating expenses for the quarter increased by two per cent to C\$1,186 million. The strong Canadian dollar adversely affected revenues and benefited expenses.

8. CN Reports 2006 results

E. Hunter Harrison, president and CEO of CN, said: "The year 2006 was a strong one for CN, with the company generating record revenues and free cash flow and its best-ever annual operating ratio." Net income for the year increased 34 per cent to C\$2,087 million, with diluted earnings per share rising 41 per cent to C\$3.91. Included in the 2006 results was a deferred income tax recovery of C\$277 million (C\$0.51 per diluted share). Adjusted 2006 net income, excluding the deferred income tax recovery was C\$1,810 million or C\$3.40 per diluted share. Operating income for the year grew by 15 per cent to C\$3,030 million, while CN's operating ratio for the year improved by 3.1 points to 60.7 per cent. Operating expenses for 2006 increased by two per cent to C\$4,686 million. Revenues for 2006 increased seven per cent to C\$7,716 million. Revenue ton-miles and freight revenue per revenue ton-mile both increased by three per cent in 2006 compared with 2005. The CEO said that "The strength of 2006 positions CN well for 2007. The year ahead is one of opportunity for the company, and we'll have the people, network capacity, locomotives and freight cars in place to take advantage of new traffic."

9. CN announces 29 per cent increase in quarterly cash dividend

On January 23, 2007, CN announced that its Board of Directors has approved a quarterly cash dividend of 21 cents per common share i.e., a 29 per cent increase. This is CN's 11 consecutive times cash dividend increase i.e. an average of 18%.

10. CN pleased with ratification of new collective agreements by CAW members

On January 29, 2007, CN welcomed ratification of new four year collective labour agreements by members of the Canadian Auto Workers union. This union represents approximately 4,000 CN employees in Canada.

11. Ed Harris, CN executive vice-president, operations, announces retirement

On January 31, 2007, Ed Harris, CN executive vice-president, operations, announced his retirement from the company effective immediately.

12. Railway carloadings

Railway carloadings totalled 24.7 million metric tonnes in November 2006, down 0.3% from the revised 24.8 million metric tonnes loaded in October 2006. Tonnage in the non-intermodal component was virtually unchanged. Loadings in the intermodal part fell 3.6%, typical for containerized goods. Freight coming from the United States, either destined for or passing through Canada, fell 3.0% in November from October to 2.5 million metric tonnes.

13. Canadian Pacific on track to deliver Canada's 2010 Winter Games: CP named official rail freight services

Rail Transportation

Canada

1. CN and CPR Exceed Western Grain Revenue Caps for Crop Year 2005-2006, December 29, 2006, www.cta-otc.gc.ca
2. Crew OK after CN train plunges 75m, December 5, 2007, www.nationalpost.ca
3. CN spells out commitment to rail safety in meeting with Montmagny, Quebec, officials, January 11, 2007, www.cn.ca
4. CN reaches tentative collective agreements with the Canadian Auto Workers, January 15, 2007, www.cn.ca
5. Engineers on CN's former GTW territory renew hourly-rate labor contract, January 16, 2007, www.cn.ca
6. Intermodal: Growth engine for railroads, *The Journal of Commerce*, January 2007, pp. 64/68.
7. CN reports 15 per cent rise in adjusted Q4 2006 diluted EPS [earnings per share] and record 2006 annual revenues, operating ratio and free cash flow, January 23, 2007, www.cn.ca
8. CN Reports 2006 results, January 23, 2007, www.cn.ca
9. CN announces 29 per cent increase in quarterly cash dividend, January 23, 2007, www.cn.ca
10. CN pleased with ratification of new collective agreements by CAW members, January 29, 2007, www.cn.ca
11. Ed Harris, CN executive vice-president, operations, announces retirement, January 31, 2007, www.cn.ca
12. Railway carloadings, January 26, 2007, www.statcan.ca
13. Canadian Pacific on track to deliver Canada's 2010 Winter Games: CP named official rail freight services provider, January 25, 2007, www.cpr.ca
14. Canadian Pacific announces strong results for 2006: Operating Income sets record at \$1.13 billion, January 30, 2007, www.cpr.ca
15. 2007 Outlook, January 30, 2006, www.cpr.ca

provider

Canadian Pacific was announced as the Official Rail Freight Services Provider by Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games.

14. Canadian Pacific announces strong results for 2006: Operating Income sets record at \$1.13 billion

Canadian Pacific Railway announced its fourth-quarter and full year 2006 results on January 30, 2007. For 2006 net income was \$796 million, which included a tax benefit of \$176 million as a result of a decrease in Canadian federal and provincial income tax rates. This was an increase in net income of 47 per cent over 2005. Diluted earnings per share was \$5.02 for the full year 2006, an increase of 48 per cent over 2005. Operating income was \$ 1.129 billion, a full year record, and an increase of 13 per cent. Operating ratio was 75.4 per cent, which was an improvement of 180 basis points. Revenue grew 4 per cent to \$4.583 billion, with operating expenses increasing by only 2 per cent. "I'm pleased with the financial results," said Fred Green, President and CEO, "We focused on cost containment and improving the fluidity of our operations, and, with our diversified customer portfolio, we delivered strong results while overcoming a drop in coal revenues of \$137 million. As well, I am particularly delighted with our team's improvement on the safety front. We reduced personal injuries by 17 per cent and train accidents by 39 per cent over 2005, again making CP one of the safest railroads in North America."

15. 2007 Outlook

Fred Green, CEO of Canadian Pacific Railway said "Rail fundamentals remain strong ...I am confident we will hit our stride in 2007 and CP's outlook for diluted earnings per share in 2007 remains in the range of \$4.30 to \$4.45, an increase of 9 to 13 per cent respectively, over the 2006 diluted EPS which was \$3.95..." CP expects to grow revenue in the range of 4 per cent to 6 per cent in 2007. Capital investment is anticipated to be between \$885 million and \$895 million and free cash, after dividends, is now expected to exceed \$250 million in 2007. This outlook assumes oil prices averaging US\$58 per barrel and an average currency exchange rate of \$1.15 per U.S. dollar (US\$0.87).

HIGHWAY TRANSPORTATION

1. Transport seen Truckin' to Profit

The transport sector has been doing well with the booming global economy. The prediction for the next three years also looks rosy. Merrill Lynch, a well known investment firm, predicts that planes, trains and trucks some of the elements in the transportation sector may see healthy growth over the next three years. It is predicting double digit growth till 2009 for some of the companies it covers.

2. Automation of Truck Manifest to Benefit Trucking

Public Safety Minister Stockwell Day announced the funding of approximately \$400 million to develop and implement an automated system to support the movement of freight across the land border into Canada from the United States. According to the Canadian Trucking Alliance, this should further enhance the efficiency and security of the land border. A key component of this initiative will be the creation of an electronic truck

manifest that carriers will use to submit cargo, conveyance and crew information to the Canadian Border Security Agency in advance of the arrival of a truck at the Canadian border.

3. Large urban transit

Combined ridership on 10 large urban transit systems in Canada was 2.7% higher in 2006 than it was for the same month in 2005. The 123.7 million trips generated \$186.3 million in revenue in November 2006 (excluding subsidies), a 3.8% increase. These systems account for about 80% of total urban transit in Canada.

4. Escalation in transportation levies shows no sign of abating, according to CTA [Canadian Trucking Alliance]

Last week saw the publication of two rules in the United States that will further increase the cost of transportation services in North America. One is the single-crossing fee increase of 50 cents for commercial truck entering the United States from Canada. The fee is supposedly designed to offset the costs to operate the US Customs and Border Protection agency. Two is the charge to truck drivers who require access to US ports for what is called a Transportation Worker Identity Credential

Highway Transportation

Canada

1. Transport seen Truckin' to Profit, *National Post*, December 29, 2006, p. FP5.
2. Automation of Truck Manifest to Benefit Trucking, January 15, 2006, www.ontruck.ca
3. Large urban transit, January 26, 2007, www.statcan.ca
4. Escalation in transportation levies shows no sign of abating, according to CTA, January 31, 2007, www.cantruck.ca

US

1. BTS Releases North American Surface Trade Numbers for October: October Surface Trade with Canada and Mexico Rose 4.5 Percent from October 2005, December 29, 2006, www.dot.gov
2. ATA: Truck tonnage plummets in the US, January 1, 2007, www.ctl.ca

(TWIC). The cost would be between US\$107 and US\$127. Canadian Trucking Alliance CEO, David Bradley, said “But what bothers me, and should be of grave concern to Canadian exporters, is that the cost to send goods into the United States continues to rise, with absolutely no end in sight...”

GENERAL

1. National tourism indicators

Tourism spending advanced 1.0% in the third quarter of 2006, after growing 1.2% in the second quarter. The strength came entirely from a 2.2% increase in tourism outlays of Canadians. Spending by non-residents visiting Canada in contrast fell 2.8%. This was the 13th straight quarterly increase in tourism demand since SARS. Employment in tourism industries continued to grow.

2. Travel between Canada and other countries - November 2006

Travel to Canada increased for the first time in seven months in November 2006, with gains in travel from both the United States and overseas countries. Despite the increase, monthly figures on travel to Canada were still among the lowest in 25 years. Same-day car travel from the United States, which had fallen every month since April, increased by 1.1 million trips. The largest increase in international travel from October to November 2006 was from Korea.

Canada

1. National tourism indicators, January 9, 2007, www.statcan.ca
2. Travel between Canada and other countries - November 2006, January 18, 2007, www.tc.gc.ca

Publications

1. *Maritime Liner Conference Agreements*, OECD, DAF/COMP/WD(2007)1, 22-Dec-2006, pp. 1-14.
2. Benefiting from Globalisation: Transport Sector Contribution and Policy Challenges 17th International ECMT/OECD Symposium on Transport Economics & Policy, Berlin, 25-27 October 2006 - For Papers presented see www.cemt.org
3. Post “Rolling Report” on the Pacific Gateway, www.westac.com
4. Trucking & Triumphs: 80 Years of the Ontario Trucking Association, www.ontruck.ca
5. *Senior Access to Transportation in Canadian Social Trends*, www.statcan.ca
6. Provincial Highways Traffic Volumes 1988-2004, MTO, Ontario, January 7, 2007.

Conferences

1. 11th International Conference on Mobility and Transport for Elderly and Disabled Persons (Transed), June 18-21, 2007 Palais des congrès de Montréal Convention Centre, Montreal.
2. Airports Canada 2007, Conference and Exhibition, April 25 - 26, 2007 at the Hilton Lac-Leamy Hotel & Casino in Ottawa-Gatineau, www.cacairports.ca