

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Passenger Demand Surges to 18-month High

For November 2008, year-on-year international passenger demand rose 9.3%, the fastest growth rate recorded in 18 months. This is higher than the 7.7% growth recorded in October and the 7.5% growth recorded over the first 11 months of 2007. The average international passenger load factor was 75.4% in November, 1.1 percentage points higher than in November 2006. Passenger demand results were strong across most regions. Freight growth continues to be sluggish: International freight demand growth slowed to 3.5% in November, down from 3.6% in October; and over the first 11 months of 2007 freight demand grew 3.9%, well below the 4.8% recorded over the same period in 2006.

### 2. Air Canada reports December traffic; record load factor for December and full year 2007

Air Canada reported a load factor of 79.3 percent for December 2007, 0.5 points higher than that recorded in December 2006. The main line carrier flew 2.3 percent more revenue passenger miles (RPMs) in December 2007 than in December 2006. Air Canada's capacity increased by 1.6 percent for December 2007. Jazz's capacity for December 2007 increased by 2.5 per cent, resulting in a load factor of 73.3 percent, compared to 72.4 percent in December 2006; an increase of 0.9 percentage points. On a combined basis (Air Canada and Jazz), system traffic rose 2.4 per cent on a capacity increase of 1.6 percent, resulting in a load factor of 78.8 percent for December 2007. International traffic (RPMs) increased by 4% for the same period on a capacity increase of 3.2%.

### 3. WestJet Reports Record December Load Factor of 79.3 Per Cent

WestJet announced on January 7, 2008, its traffic for December 2007 featured a record load factor of 79.3%, compared with 78% in December 2006. Revenue passenger miles (RPMs) and available seat miles (ASMs) for December 2007 increased by 17.1% and 15.2% over December 2006, respectively. Sean Durfy WestJet's president said "These results are a strong springboard to 2008. Despite the rising price of oil, we are confident our plans for the coming year remain on track...."

### 4. Strong December caps record year at WestJet

WestJet said on January 7, 2008 that its December numbers contributed to a record load factor for 2007 of 80.7%. Over the course of the year, the airline's capacity increased by 16.1%, while its traffic rose 19.9%. Despite the strong showing, Versant Partners analyst Cameron Doerksen dropped his rating on the stock from a "buy" to a "hold" as the company's share price approached his 12-month target of \$23.50.

### 5. Zoom Airlines Designated to Offer Scheduled Air Services to Italy

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on January 8, 2008, the designation of Zoom Airlines to operate scheduled international air services between Canada and Italy.

### 6. Air Canada reports December traffic; record load factor for December and full year 2007

Montie Brewer, President and Chief Executive Officer said "With a load factor of 80.6 per cent, 2007 was the fourth consecutive record year for Air Canada and Jazz, and once again this December we surpassed previous years records for the month, ...I am particularly pleased with our ongoing strong performance in the domestic Canada market."

\* 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.

## Current Developments in Brief

### Air Transportation

#### CANADA

1. Passenger Demand Surges to 18-month High, January 3, 2008, [www.iata.org](http://www.iata.org)
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3. WestJet Reports Record December Load Factor of 79.3 Per Cent, Jan. 7, 2008, [www.westjet.ca](http://www.westjet.ca)
4. Strong December caps record year at WestJet, Jan.8, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
5. Zoom Airlines Designated to Offer Scheduled Air Services to Italy, Jan. 8, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Air Canada reports December traffic; record load factor for December and full year 2007, [www.aircanada.ca](http://www.aircanada.ca)
7. WestJet Adds Year-Round Service to Quebec City Beginning May 2008, Jan. 10, 2008, [www.westjet.ca](http://www.westjet.ca)
8. Canadian Transportation Agency decides in favour of one-person-one-fare policy, Jan. 10, 2007, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
9. Competition watchdog calls for open skies, Jan 14, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
10. Aircraft movement statistics, Jan. 16, 2007, [www.statcan.ca](http://www.statcan.ca)
11. West Jet sell-off offers buying opportunity to investors, Jan. 17, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
12. WestJet locks in top spot on corporate culture honour roll, Jan. 17, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
13. WestJet's Culture Success All About the People, Jan. 17, 2008, [www.westjet.com](http://www.westjet.com)
14. Not-so-friendly skies need dose of real competition, Jan. 18, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
15. Aircraft movement statistics [2007], Jan. 21, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
16. Air Canada further expands Ottawa service with a 19 per cent increase in seats for the capital region this summer, Jan. 24, 2008, [www.aircanada.ca](http://www.aircanada.ca)
17. Air Canada adds new U.S.-Canada non-stop flights; New routes from Washington D.C., Austin, Richmond and Chicago, Jan. 25, 2008, [www.aircanada.ca](http://www.aircanada.ca)
18. Airport activity Annual 2006 (preliminary), Jan. 28, 2008, [www.statcan.ca](http://www.statcan.ca)
19. Aircraft movement statistics: Major airports [December 2007], Jan. 29, 2008, [www.statcan.ca](http://www.statcan.ca)

Load factor was 0.4 points higher, revenue passenger miles (RPM) were 3.3% higher and available seat miles (ASM) were 2.8% for 2007 over 2006. The domestic market recorded larger increases in load factors, RPMs and ASM.

### **7. WestJet Adds Year-Round Service to Quebec City Beginning May 2008**

WestJet announced on January 10, 2008, the addition of daily non-stop service from Toronto to Quebec City, coinciding with the celebration of the city's 400th birthday in 2008.

### **8. Canadian Transportation Agency decides in favour of one-person-one-fare policy**

On January 10, 2008, the Canadian Transportation Agency ordered Air Canada, Air Canada Jazz and WestJet to adopt a one-person-one-fare policy for persons with severe disabilities who travel within Canada by air. The airlines have one year to implement the policy. The airlines failed to demonstrate to the Agency that implementation of a one-person-one-fare policy will impose undue hardship on them. The Agency estimates that the cost of implementing the one-person-one-fare policy represents 0.09 per cent of Air Canada's annual passenger revenues of \$8.2 billion and 0.16 per cent of WestJet's equivalent revenues of \$1.4 billion.

#### US/EU

2. The European Commission adopts its Communication "An Agenda for Sustainable Future in General and Business Aviation", Jan 1, 2008, [www.europa.eu](http://www.europa.eu)

3. BTS Releases October 2007 Airline Traffic Data; 10-Month 2007 System Traffic Up 3.6 Percent From 2006, Jan. 10, 2008, [www.dot.gov](http://www.dot.gov)

4. New National Policy to Make It Easier for Airports to Add Capacity and Reduce Congestion, January 14, 2008, [www.dot.gov](http://www.dot.gov)

5. BTS Releases November Passenger Airline Employment Data; November 2007 Employment Up 3.7 Percent from November 2006, Jan. 15, 2008, [www.dot.gov](http://www.dot.gov)

### **9. Competition watchdog calls for open skies**

Canada's competition watchdog is recommending to the Competition Policy Review Panel that Ottawa unilaterally open up the airline industry to foreigners as part of a rewrite of federal business laws under consideration. The Competition Bureau is also calling for the government to eliminate, or at least scale back, foreign ownership restrictions for air carriers as a means of increasing competition in Canada. The Commissioner of Competition said that "There does not appear to be any compelling economic reason why the air transportation sector should continue to have such restrictions."

### **10. Aircraft movement statistics [December 2007]**

Canadian airports (42) with NAV CANADA air traffic control towers reported 300,114 aircraft take-offs and landings for December 2007, down 4.4% compared with December 2006. This was the first decrease in year-over-year monthly comparisons in 18 months.

### **11. WestJet sell-off offers buying opportunity to investors**

An airline analysts indicated that he expects WestJet's earnings to be up in the fourth quarter of 2007, compared to 2006. He also believes that WestJet should have a good first quarter in 2008 with a strong loonie stimulating demand for winter destinations and a strong domestic market pushing yields higher year-over-year. His forecasts on a buying opportunity to investors were made after the stock fell 20% recently.

### **12. WestJet locks in top spot on corporate culture honour roll**

WestJet has won a spot in Canada's 10 Most Admired Corporate Cultures award program, according to the *National Post*.

### **13. WestJet's Culture Success All About the People**

WestJet announced on January 17, 2008 that it holds the title of Canada's Most Admired Corporate Culture for the third year in a row. WestJet won the award in 2005 and 2006.

### **14. Not-so-friendly skies need dose of real competition**

The Competition Bureau thinks that Canada's airlines are not cutthroat enough. The present duopoly is protected by restrictions that keep foreign carriers out of their airspace. The Bureau proposes to change this. One idea is to let foreign carriers set up "Canada-only" subsidiaries, which would use Canadian crews and fly domestic routes (Australia has done this). The more radical suggestion is cabotage. Fred Gaspar, from the Air Transport Association of Canada and Air Canada do not believe the suggestions will work. They also want reciprocity. Foreign ownership limits impose all kinds of economic costs and though the airlines might argue that it's unfair, that it's not sustainable, that it won't even bring down fares, this will not be known if not tried.

### **15. Aircraft movement statistics [2007]**

The 42 Canadian airports with NAV CANADA air traffic control towers reported 4.85 million aircraft take-offs and landings in 2007, up 8.4% compared to 2006 (4.48 million). This marks the second consecutive annual increase in total aircraft movements.

### **16. Air Canada further expands Ottawa service with a 19% increase in seats for the capital region this summer**

Air Canada announced on January 24, 2008 that it is further expanding its Ottawa service starting in May 2008, adding four new markets (Ottawa-Washington (National Airport); Ottawa-Saskatoon; Ottawa-Thunder Bay; and Ottawa-Charlottetown)

with non-stop flights to and from the capital region and increasing the number of available seats by 19 per cent over last summer. In addition, Saskatoon, Calgary and Toronto will also to benefit from new non-stop routes.

### **17. Air Canada adds new U.S.-Canada non-stop flights; New routes from Washington D.C., Austin, Richmond and Chicago**

Air Canada announced on January 25, 2008, that it is further expanding its extensive transborder U.S. network with the introduction in May 2008 of four new non-stop routes between the United States and Canada: Washington National-Ottawa, Austin-Toronto, Richmond-Toronto and Chicago-Calgary.

### **18. Airport activity Annual 2006 (preliminary)**

In 2006, air traffic at Canadian airports continued an upward trend begun in 2003, with a total 101.0 million enplaned/deplaned passenger an increase of 6.8% compared with 2005. Grande Prairie, Fort McMurray and Hamilton recorded the strongest percentage gains in air traffic in 2006 over 2005.

**19. Aircraft movement statistics: Major airports [December 2007]** Aircraft take-offs and landings at Canadian airports with NAV CANADA air traffic control towers and flight service stations [95] reported 370,661 movements in December 2007 compared with 384,523 movements in December 2006. This was the first decrease (3.6%) in 18 months in year-over-year monthly comparisons.

## **WATER TRANSPORTATION**

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#### **1. Port of Halifax Monthly Statistics (YTD to end of November 2007)**

The Port of Halifax reported that containerized cargo (imports and exports) in TEUs fell 8.3% from Nov. 2007 to Nov. 2006. Imports fell 10.4% over this period and exports fell 6.3%. Total cargo (bulk, containerized, breakbulk and ro/ro) in metric tonnes fell 8.3% over the period.

#### **2. 2007 Cruise season contributes \$21 million to local economy**

The shipping cruise industry contributed \$21 million to the Halifax economy. Thirteen cruise lines called at the Port of Halifax. During the 2007 season, 92 vessels called from these cruise lines and carried 176, 000 passengers.

#### **3. State of the Transpacific**

Faced with an unprecedented rise in costs from loss-making contracts, carriers have withdrawn ships from the Asia/North America trade and deployed them in the booming Asia to Europe and Mediterrean trade. The latter is expected to overtake the transpacific trade as the world's largest deep-sea trade.

#### **4. EC draft guidelines cause a stir**

The European Shippers' Council's Forum revealed that deep divisions remain between shippers and container lines over the direction the liner industry will take when liner conferences are banned with the repeal of EC Regulation 4056/86.

#### **5. Seaway tonnage falls**

St. Lawrence Seaway freight traffic totalled an estimated 42.7 million metric tons in 2007, a fall from 47 million tons in 2006. The fall was the result of lower vessel traffic and steel imports through the Seaway. Traffic is expected to increase in 2008.

#### **6. Container shipping industry launches public awareness**

A collection of the world's 24 leading container shipping companies has formed the Container Shipping Information Service to increase public understanding of the benefits and impact their industry has on daily life.

#### **7. Douglas Eyford Appointed to Negotiate with First Nations on Prince Rupert Fairview Container Terminal Issues**

Government officials announced on January 14, 2008, the appointment of Mr. Douglas

Eyford as chief federal negotiator to work with First Nations to resolve their outstanding concerns with the Prince Rupert

## **Water Transportation**

### **CANADA**

1. Port of Halifax Monthly Statistics (YTD to end of November 2007), Jan. 3, 2008, [www.portofhalifax.ca](http://www.portofhalifax.ca)
2. 2007 Cruise season contributes \$21 million to local economy, October 31, 2007, [www.portofhalifax.ca](http://www.portofhalifax.ca)
3. State of the Transpacific, Jan. 1, 1008, [www.americanshipper.com](http://www.americanshipper.com)
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6. Container shipping industry launches public awareness, Jan. 10, 2008, [www.ctl.ca](http://www.ctl.ca)
7. Douglas Eyford Appointed to Negotiate with First Nations on Prince Rupert Fairview Container Terminal Issues, Jan. 15, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
8. Port of Vancouver [Accumulated Container Traffic Report], January 14, 2008, [www.portvancouver.com](http://www.portvancouver.com)
9. Port of Montreal Cumulative containerized traffic summary January to November 2007, Jan. 15, 2008, [www.portofmontreal.ca](http://www.portofmontreal.ca)
10. Cumulative traffic summary January to November (metric tonnes), Jan. 15, 2008, [www.portofmontreal.ca](http://www.portofmontreal.ca)
11. Prince Rupert's ship continues to come in, Jan. 17, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
12. Transport Canada Releases Evaluation of Marine Security Initiatives, January 18, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
13. Extension of Magdalen Islands Ferry Service During the 2009 Winter Season, Jan. 25, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)

### **US/EU**

1. Container industry outlook not all gloomy: APL's Widdows, Jan. 14, 2008, [www.joc.com](http://www.joc.com)

Port Authority's Fairview container terminal projects.

#### **8. Port of Vancouver [Accumulated Container Traffic Report]**

The total TEU traffic at the Port of Vancouver in 2007 was 2,207,748, a 5% increase from 2006. Inbound traffic in 2007 (1,203,354 TEUs) grew by 6% and outbound traffic (1,103,936 TEUs) grew by 3% over 2006.

#### **9. Port of Montreal Cumulative containerized traffic summary January to November 2007**

Cumulative containerized traffic in TEUs totalled 1,266,268 by the end of November 2007, a 6.2% increase from 2006. Inbound and outbound containerized traffic increased 4.6% and 7.7% from the year before, respectively.

#### **10. Cumulative traffic summary January to November (metric tonnes)**

Cumulative traffic (general cargo and bulk) increased 2.7% over the period January to the end of November 2007 compared to the year earlier. Inbound traffic decreased 6.3% and outbound traffic increased 20.4%.

#### **11. Prince Rupert's ship continues to come in**

The Port of Prince Rupert surpassed the million tonnes traffic mark in 2007 for the first time in a decade. Total traffic was 10.6 million tonnes a 36.8 percent increase over 2006 and a 237 percent jump over 2005.

#### **12. Transport Canada Releases Evaluation of Marine Security Initiatives**

On January 18, 2008, Transport Canada released a report assessing the department's 'marine security initiatives' over 2001 to 2006. The report shows that Transport Canada has substantially increased its ability to provide proactive and responsive programs that meet the needs of Canada's marine community. It has demonstrated early signs of success, including: harmonization of security regulations, increased stakeholder ability, and increased stakeholder confidence. It also outlines a few recommendations: implementing a performance measurement strategy, developing a financial recording process, and conducting an in-depth review on resource sufficiency.

#### **13. Extension of Magdalen Islands Ferry Service During the 2009 Winter Season**

In response to a request from the municipality of Magdalen Islands, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, said on January 25, 2008 that the government will look at the possibility of year-round ferry service between the Magdalen Islands and the mainland in 2009.

### **RAIL TRANSPORTATION**

#### **1. CPR Over, CN Under Western Grain Revenue Caps for Crop Year 2006-2007**

The Canadian Transportation Agency announced on Dec. 28, 2007 that the revenues of the Canadian Pacific Railway Company (CPR) for the movement of Western grain had exceeded its revenue cap for crop year 2006-2007. The Agency has also ruled that the Canadian National Railway Company (CN)'s revenues from grain transportation for the same period were below its cap.

#### **2. CN and IBEW, System Council 11, announce labour contract ratification**

CN and the approximately 700 members of the International Brotherhood of Electrical Workers (IBEW), System Council 11, announced on January 7, 2008 the ratification of a new five-year collective labour agreement by IBEW members at CN's Canadian operations.

#### **3. Funding for Quebec City to Windsor High-speed Rail Studies**

On January 10, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced that the Government of Canada will fund up to one third of the cost of updating feasibility studies, including a passenger forecast study, for a high-speed rail service between Windsor, Ontario and Quebec City.

#### **4. Government of Canada to Continue Funding Northern Ontario Passenger Rail Service**

Government officials announced on January 17, 2008 that it is providing Algoma Central Railway with \$4.2 million in operating funding, to continue passenger rail service between Sault Ste. Marie and Hearst, Ontario until March 31, 2009. Passenger rail services in this region contribute to the economic and social well-being of its communities.

#### **5. Canadian Transportation Agency Releases Conditional Ruling on Level of Service Complaint for Rail Shipment**



## of Western Grain

The Canadian Transportation Agency on January 18, 2008 found that the Canadian National Railway Company has failed to meet its level of service obligations to the Canadian Wheat Board and five other shippers for services provided for the crop year 2006-2007. The ruling also recognizes that CN has revised its grain product programs for 2007-2008 in an effort to improve service levels and address shortfalls. The Agency has ordered CN and the six shippers to file service information for the period August 2007 to April 2008 before it makes a final determination.

### **6. Government of Canada Funds New Projects Through Another Round of Transit-secure**

On January 21, 2008, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced new projects to enhance rail and transit security under Transit-Secure, the Government of Canada's \$80-million passenger rail and urban transit security contribution program.

### **7. CN reports Q4-2007 net income of C\$833 million, or C\$1.68 per diluted share, including C\$0.78 per share in benefits from favorable tax adjustments and major asset sales**

CN announced its fourth-quarter results for 2007, on January 22, 2008. The highlights for the fourth quarter compared to the same period in 2006 were: net income of C\$833 million, up 66.9%; operating income of C\$736 million, down 3%; and operating ratio of 62.1, virtually unchanged. Fourth-quarter 2007 revenues decreased three per cent to C\$1,941 million. Operating expenses for the quarter decreased by three per cent to C\$1,205 million. The strong Canadian dollar, the housing market and weather related challenges affected fourth quarter results.

### **8. CN announces 10 per cent increase in quarterly cash dividend**

A quarterly dividend of 23 cents (C\$) per common share will be paid on March 31, 2008 to shareholders. This is a 10th increase approved by its board of Directors and the 12 consecutive increase since 1995.

### **9. CN confident despite economic turmoil**

CN reported a record \$2.16-billion profit in 2007 and is forecasting another robust year despite a weakening U.S. economy, high diesel prices and recent market turmoil. Canada's largest railway expects to weather the storm and ride a predicted 1.7-per cent increase in gross domestic product this year in North America, CN chief executive officer Hunter Harrison during a conference call with analysts said "I'm looking forward to a real bounce back in 2008, despite some of the things that we read every day." The company's operating ratio was 63.6% last year, compared with 61.8% in 2006. For 2007, it recorded a \$2.16-billion profit, a 3% improvement over the previous high of \$2.09-billion in 2006.

### **10. CN puts faith in new B.C. terminal in coming year**

Canadian National Railway Co. forecast that increased volumes from its new terminal at the port of Prince Rupert, B.C., would drive its earnings growth in the coming year. CN estimates its revenue will increase between 6% and 8% next year, from nearly \$7.9-billion in 2007, and that top line growth would be the major driver of its projected mid-to-high single digit earnings growth in 2008. Last year, CN's net income was roughly \$1.7-billion, or \$3.40 a share, excluding certain one-time gains.

### **11. CAW and Canadian Pacific reach tentative contract agreement for mechanical services employees**

The Canadian Auto Workers union (CAW), representing mechanical services employees, and Canadian Pacific reached a tentative three year contract settlement on January 27, 2008.

## Rail Transportation

### CANADA

1. CPR Over, CN Under Western Grain Revenue Caps for Crop Year 2006-2007, Dec. 28, 2007, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
2. CN and IBEW, System Council 11, announce labour contract ratification, Jan. 7, 2008, [www.cn.ca](http://www.cn.ca)
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6. Government of Canada Funds New Projects Through Another Round of Transit-secure, Jan. 21, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
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9. CN confident despite economic turmoil, Jan.23, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
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12. Government of Canada Continues Funding for Northern Quebec Passenger Rail Service, January 28, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
13. Canadian Pacific grows EPS in 2007, Jan. 29, 2008, [www.cpr.ca](http://www.cpr.ca)
14. CPR delivers double the profit, Jan. 29, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
15. Even in a slump, everything's working on the railway, Jan. 30, 2009, [www.globeandmail.ca](http://www.globeandmail.ca)
16. Railway carloadings [November 2007], Jan. 29, 2008, [www.statcan.ca](http://www.statcan.ca)
17. Rail transportation [2006 (preliminary)], Jan. 29, 2008, [www.statcan.ca](http://www.statcan.ca)

## **12. Government of Canada Continues Funding for Northern Quebec Passenger Rail Service**

On January 28, 2008, the Government of Canada indicated that it is providing Tshuetin Rail Transportation with up to \$12 million in operating funding to continue passenger rail service between Sept-Îles and Schefferville, Quebec, until December 30, 2009.

## **13. Canadian Pacific grows EPS in 2007**

Canadian Pacific Railway announced its second-quarter results on January 29, 2008. For the second quarter: net income increased to \$342 million, a increase of 135.1% when compared to same period in 2006; operating ratio was 74.3 per cent, a increase of 1.2 points; freight revenue was \$1.14 billion, a decrease of 0.8 per cent; and operating expenses were \$882.8 million, up by 12.5 million or 1.4%. Fred Green, CP's President and CEO said "We delivered earnings growth in 2007 in a year that brought us many challenges. Most recently, in December, our operations were hit hard by harsh weather that affected the entire supply chain, including high winds that shut down port and terminal operators for several extended periods. This restricted our ability to move the freight volumes we'd planned."

## **14. CPR delivers double the profit**

Fourth-quarter profit at Canadian Pacific Railway Ltd. more than doubled from a year earlier to \$342-million from \$146-million, mostly because of lower future income tax rates. This translated to \$2.21 a share, compared with 92 cents in the final quarter of 2006. CP's profit for the full year was \$946-million or \$6.08 a share up from \$796-million or \$5.02 for 2006. The five major North American railway companies that have now reported their year-end numbers have all done better than expected, according to an analyst. Fred Green, CEO of CP said "We continue to see strong demand in our bulk portfolio for 2008, and this, coupled with improved yield and a renewed focus on our integrated operating plan, will drive results." CPR reiterated its 2008 outlook of \$4.70 to \$4.85 for diluted EPS, compared with \$4.32 last year.

## **15. Even in a slump, everything's working on the railway**

Even as clouds hang over the North American economy, the railway sector appears to be recession-proof and poised for yet another year with strong profit. North America's Big Six railways have been able to rely on a boom in bulk international commodities. Norfolk Southern Corp., Union Pacific Corp. and CSX Corp. reported a combined \$4.6-billion (U.S.) in profit for 2007, while Burlington Northern Santa Fe Corp. C of Fort Worth, Tex., posted a \$1.83-billion profit.

## **16. Railway carloadings [November 2007]**

Canadian railways loaded 24.5 million metric tonnes of freight in November 2007, a 3.8% drop from the 25.4 million metric tonnes loaded in October 2007. The industry's main transportation systems, non-intermodal and intermodal, both saw decreases in the number of loadings.

## **17. Rail transportation [2006 (preliminary)]**

The Canadian railway industry continued its strong performance in 2006, with operating revenues increasing for the eighth consecutive year. For the year, operating revenues rose 5.9% from 2005 to \$10.4 billion. In 2006, 282.8 million metric tonnes were moved, a 0.8% increase from 2005. Coal continued to be the main commodity.

## HIGHWAY TRANSPORTATION

### 1. CF signs continental trucking partnership with US carriers

Six regional carriers, including Canadian Freightways of Calgary, have partnered to create an exclusive North American transportation network, offering continent-wide LTL and truckload services. The network will be made up of Canadian Freightways/Epic Express (Canada); Pitt Ohio Express (Mid-Atlantic); Lakeville Motor Express (Midwest), Averitt Express (South and Southeastern), Land Air Express of New England (New England); and DATS Trucking (West).

### 2. Border traffic symptom of slowing economy: OTA

Cross-border truck trips between Ontario and the U.S. have fallen to the lowest level in a decade. Ontario Trucking Association President David Bradley said the numbers are "clear and unequivocal evidence of the extent to which Ontario's export based economy has been battered by the combination of a high dollar, high fuel costs, the ever-increasing thickening of the border, and slackening U.S. demand." He has called on the government to stimulate growth.

### 3. B.C. unveils huge transit plan

On January 14, 2008, the British Columbia government unveiled a \$14-billion transit and transportation strategy plan to reduce greenhouse gas emissions. Of this sum, \$10.3-billion will be invested in four new rapid transit lines in Metro Vancouver — the Evergreen Line, the UBC Line, the upgraded Expo Line and the Canada Line. Another \$1.2-billion has been earmarked for a new energy-efficient, high-capacity RapidBus BC service and \$1.6-billion is for investment in 1,500 new clean energy buses.

### 4. Shippers file anti-trust suit against forwarders

A group of shippers is suing several forwarders in a class-action claim for violating anti-trust laws. Panalpina, Kuehne & Nagel, Expeditors International of Washington, EGL, UTi Worldwide, Deutsche Post and its DHL Express subsidiary, Deutsche Bahn and its Schenker subsidiary and the Association of Swiss Forwarders were named in the claim. Recently, authorities in Europe and the United States recently expanded their investigations of allegations of price-fixing in the air-cargo industry to include some forwarders.

### 5. McGuinty Government Delivers Improved GO Transit System

The Province of Ontario is continuing to support the GO Transit System by committing \$530 million to its capital and operating costs in 2007-08.

### 6. Go Transit Powers Ahead with New Locomotives

Ontario Premier Dalton McGuinty and Go Transit officials unveiled the new locomotive at Union Station on January 15, 2008. It can pull longer trains carrying an additional 300 passengers each. These new trains will make it easier for more Ontarians to take public transit which means fewer cars on the road. Ontario invested \$143 million in 27 new fuel-efficient locomotives.

### 7. OTA-CTA deliver tax gift for APU buyers

Canada Revenue has agreed to permit tax refunds for fuel used to run anti-idling devices, such as APUs (auxiliary power units) after its discussion with the Ontario Trucking Association.

### 8. COMPETITION WATCH: TransForce wraps up Thibodeau Group acquisition

TransForce has announced that it has finalized a deal to acquire the Thibodeau Group of Companies. Thibodeau is a LTL and truckload carrier and operates 1,530 tractors and trailers out of 14 terminals primarily in Quebec, Ontario and the US. In 2006, the company generated revenues exceeding \$80 million.

### 9. Ottawa moves to emulate U.S. on new fuel mileage standards

Transport Minister Lawrence Cannon announced on January 17, 2008 that Canada wants auto makers' fleets to average the equivalent of 35 miles a gallon by 2020. This will set new fuel economy standards on auto makers to match recently enacted

## Highway Transportation

### CANADA

1. CF signs continental trucking partnership with US carriers, Jan. 7, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
2. Border traffic symptom of slowing economy: OTA, Jan. 15, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
3. B.C. unveils huge transit plan, Jan. 14, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
4. Shippers file anti-trust suit against forwarders, Jan. 15, 2008, [www.joc.com](http://www.joc.com)
5. McGuinty Government Delivers Improved GO Transit System, Jan. 15, 2008, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
6. Go Transit Powers Ahead with New Locomotives, Jan. 15, 2008, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
7. OTA-CTA deliver tax gift for APU buyers, Jan. 15, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
8. COMPETITION WATCH: TransForce wraps up Thibodeau Group acquisition, Jan. 16, 2008, [www.ctl.ca](http://www.ctl.ca)
9. Ottawa moves to emulate U.S. on new fuel mileage standards, Jan. 17, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
10. Canada's First Motor Vehicle Fuel Consumption Regulations: Consultations Begin, Jan. 17, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
11. Travel between Canada and other countries [November 2007], January 18, 2008, [www.statcan.ca](http://www.statcan.ca)
12. Study: Dependence on cars in urban neighbourhoods [2005], Jan 22, 2008, [www.statcan.ca](http://www.statcan.ca)
13. Innovative Bridge Replacement Slated For Summer 2008, Jan. 21, [www.mto.ont.gov.ca](http://www.mto.ont.gov.ca)
14. Consultations Begin for Canada's First Motor Vehicle Fuel Consumption Regulations, Jan. 23, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
15. CTA's enviroTruck Starts its Engine in British Columbia, Jan. 25, 2008, [www.ontruck.org](http://www.ontruck.org)
16. Large urban transit [November 2007 (preliminary)], Jan. 28, [www.statcan.ca](http://www.statcan.ca)

### US/EU

1. BTS Releases Freight Transportation Services Index (TSI); Freight Index Rose 0.7 Percent in November from October (01/09/08), Jan. 9, 2008, [www.dot.gov](http://www.dot.gov)
2. Panel offers gas tax hike, fees to pay for transport infrastructure, Jan. 16, 2008, [www.americanshipper.com](http://www.americanshipper.com)

U.S. regulations.

#### **10. Canada's First Motor Vehicle Fuel Consumption Regulations: Consultations Begin**

To implement fuel consumption regulations - of new cars and light trucks, beginning with the 2011 model year - Government of Canada's has begun consultations. The regulations are intended to control GHG emissions since transportation accounts for 25% of all of Canada's emissions and highway transportation is a major source.

#### **11. Travel between Canada and other countries [November 2007]**

Canadian travel abroad increased 21.9% in November 2007 over November 2006, with significant gains in overnight car travel to the United States. Canadian residents made a record 2.4 million overnight trips outside the country in November, up 7.6% from the previous high recorded in October.

#### **12. Study: Dependence on cars in urban neighbourhoods [2005]**

Residents of Calgary and Edmonton are more dependent on their cars than those living in other large census metropolitan areas. The results showed that 75% of Calgary residents and 77% of Edmonton residents relied on their cars to make all their trips on the survey reference day. In contrast, the residents least likely to have done so were those in Montréal (65%) and Toronto (66%).

#### **13. Innovative Bridge Replacement Slated For Summer 2008**

Transportation Minister Jim Bradley, said that for the second time in Ontario, a groundbreaking technology that lifts 500-tonne bridges will be used to replace an Ottawa-area bridge overnight. The Clyde Avenue Bridge on Highway 417 will be replaced this coming summer.

#### **14. Consultations Begin for Canada's First Motor Vehicle Fuel Consumption Regulations**

On January 23, 2007, Transport Canada indicated that consultations for the country's first motor vehicle fuel consumption regulations have begun.

#### **15. CTA's enviroTruck Starts its Engine in British Columbia**

The Fraser Basin Council announced a new incentive under its Green Fleets BC program to encourage the BC trucking sector to adopt emission reduction technologies. Up to \$10,000 per vehicle is available for a vehicle that meets the Fraser Basin Council's *enviroTruck* standard, to a total of \$70,000 for the entire program.

#### **16. Large urban transit [November 2007 (preliminary)]**

Combined ridership (124.8 million passenger trips) on 10 large urban transit systems in Canada was 4.3% higher in November 2007 than it was in November 2006. These passenger trips account for about 80% of total urban transit in Canada generating \$200.6 million in revenue (excluding subsidies), a 6.7% increase over November 2006.

### **GENERAL**

#### **1. McGuinty Government Makes Significant Transportation Investments**

The McGuinty government on Dec. 30, 2007 indicated that it has made significant investments to help improve Ontario's transportation infrastructure. These include:

**Working to Increase Public Transit Ridership** - MoveOntario 2020, Meterolinx, Presto card and Gas tax funding; **Working to deliver more GO Transit options** - Expansion and improvement (\$530 million); **Building Better Highways for Ontarians** - Expansion and repair (\$1.7 billion), Creating a High Vehicle Occupancy, Grants to municipalities and improving the appearance of the busiest highways; and **Making Roads Safer** - New bus funding, new legislation and More secure drivers licence card.

#### **2. BTS Releases North American Surface Trade Numbers for October: Surface Trade with Canada and Mexico Reached a Monthly Record High in October 2007**

Trade using surface transportation between the United States and its North American Free Trade Agreement partners Canada and Mexico was 11.1 percent higher in October 2007 than in October 2006, reaching \$74.2 billion, the highest monthly level ever recorded.

#### **3. Canada's exports to China surge in 2007**

Canada's exports to China grew 27% last year, according to preliminary figures. In 2006, Canada recorded a \$26.8 billion trade deficit with China.

#### **4. National tourism indicators**

Tourism spending in Canada increased for the third quarter of 2007, the 17th consecutive increase. It rose 1.0%, as outlays

### ***Current Developments in Brief***

#### **General**

##### **CANADA**

1. McGuinty Government Makes Significant Transportation Investments, Dec. 30, 2007, [www.mto.gov.on.ca](http://www.mto.gov.on.ca)
2. BTS Releases North American Surface Trade Numbers for October: Surface Trade with Canada and Mexico Reached a Monthly Record High in October 2007, Jan. 7, 2008, [www.dot.gov](http://www.dot.gov)
3. Canada's exports to China surge in 2007, Jan. 7, 2008, [www.cft.ca](http://www.cft.ca)
4. National tourism indicators, Jan. 10, 2008, [www.statcan.ca](http://www.statcan.ca)
5. THE BOTTOM LINE: The Canada-U.S. FTA: 20 Years After, Jan. 15, 2008, [www.cft.ca](http://www.cft.ca)
6. Commission prepares the ground for efficient and fair pricing of transport services, Jan. 15, 2008, [www.europa.eu](http://www.europa.eu)

##### **US/EU**

1. Commission calls for overhaul of U.S. transportation spending, Jan. 15, 2008, [www.joc.com](http://www.joc.com)



by international visitors grew for a second consecutive quarter and expenditures by Canadians continued to advance.

#### **5. THE BOTTOM LINE: The Canada-U.S. FTA: 20 Years After**

Twenty years after the Canada-U.S. FTA, how are we today? North-south trade blossomed. Our exports of goods and services to the U.S. have more than tripled since 1988, from \$117 billion per year to \$398 billion, an increase of 240%. Our imports of goods and services from the U.S. have not risen by as much – from \$108 billion to \$322 billion, an increase of just under 200%. Employment went up in health care (650,000), retail and wholesale trade (630,000), professional and technical (600,000), business support (410,000), hospitality (340,000) and the financial sector (270,000) but was down in manufacturing (50,000). Productivity and purchasing power went up. In brief, free trade has been positive.

#### **6. Commission prepares the ground for efficient and fair pricing of transport services**

The European Commission released a handbook with estimates of external costs in the transport sector. The handbook, jointly prepared by several transport research institutes, summarises the state of the art as regards the valuation of external costs. A statement on the strategy to internalize external costs will be made in June 2008.

#### **Publications**

1. Internalisation of transport external costs, Jan. 15, 2008, [www.europa.eu](http://www.europa.eu)
2. Rail Transport and Interoperability, Issue number 4 of "Signal", the newsletter of ERTMS, [www.europa.eu](http://www.europa.eu)
3. Report to Minister Emerson on Asia Pacific Gateway & Corridor, Jan. 23, 2008, [www.westac.com](http://www.westac.com)

#### **Conferences**

1. "Towards A more Performing European Aviation System" Conference, 22. January 2008, European Commission, Charlemagne building, Bruxelles.

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