

# Transportation Information Update\*

Editor: Joseph Monteiro

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Associate Editor: Gerald Robertson\*\*

## 1. Cargo Rebounds, Passenger Demand Steady

On July 2, 2007, the International Air Transport Association (IATA) released traffic results for May 2007. It showed a 5.5% growth in year-on-year international passenger demand. Growth in freight demand rose to 5.0% (up sharply from 2.8% in April 2007). This was the largest increase since September 2006. Average load factors remained strong at 73.7%, up 0.1% year-on-year. Airlines in the Middle East saw the strongest passenger demand growth in May with a 19.6% increase followed by African airlines with a growth of 11.2%.

## 2. CHC [CHC Helicopter Corp.] lands \$1.1b in contracts

CHC Helicopter Corp., the world's largest supplier of helicopter services to the offshore oil industry, won two lucrative contracts in Norway, valued at \$1.1b. This will increase CHC's annual revenue by \$80m (or about 14% of its total revenue) in 2010 when the contracts are fully operational. This together with its recent increase in fourth quarter profit has had a positive effect on CHC shares and its long term prospects.

## 3. Air Canada reports June traffic

Air Canada reported a record load factor of 83.4 percent for June 2007, the same as that for June 2006. The mainline carrier flew 1.1 percent more revenue passenger miles (RPMs) in June 2007 than in June 2006. Air Canada's capacity increased by 1.1 percent for June 2007. Jazz's capacity for June 2007 increased by 9 per cent, resulting in a load factor of 76.6 percent, compared to 73.8 percent in June 2006; an increase of 2.8 percentage points. On a combined basis (Air Canada and Jazz), system traffic rose 2 per cent on a capacity increase of 1.8 percent, resulting in a load factor of 82.8 percent for June 2007. International traffic (RPMs) decreased by 1.1% for the same period.

## 4. WestJet's Strong Year Continues With Record Traffic Statistics for June

WestJet announced on July 5, 2007, its sixth consecutive month of record load factors. Its traffic for June 2007 featured a record load factor of 79.9%, compared with 77.1% in June 2006. Revenue passenger miles (RPMs) and available seat miles (ASMs) for June 2007 increased by 21% and 17% over June 2006, respectively. Sean Durfy WestJet's president said "Our guest satisfaction is higher than ever fuelling our record load factors and significant growth. One of our most powerful marketing tools is guest referrals; almost 90 per cent of guests that fly WestJet recommend us to others and fly with us again."

## 5. Resolve Baggage Re-Screening," CAC Urges Prime Minister, U.S. President for Leaders Summit

The Canadian Airports Council called on the Canadian Prime Minister and the US President to resolve the critical issue involving Canadian baggage connecting through US airports when they meet in August 2007. US does not recognize Canadian security screening despite the new processes and requires re-screening before entering the US for connecting flights. This increases the costs, delays and loss of flights to connecting passengers.

## 6. New International Air Cargo Trans-shipment Program for the Calgary International Airport

On July 6, 2007, the Honourable Lawrence Cannon, Minister of Transport,

## Current Developments in Brief

### Air Transportation

#### CANADA

1. Cargo Rebounds, Passenger Demand Steady, July 2, 2007, [www.iata.org](http://www.iata.org)
2. CHC [CHC Helicopter Corp.] lands \$1.1b in contracts, *National Post*, June 30, 2007, p. FP12.
3. Air Canada reports June traffic, July 5, 2006, [www.aircanada.ca](http://www.aircanada.ca)
4. WestJet's Strong Year Continues With Record Traffic Statistics for June, July 5, 2007, [www.westjet.ca](http://www.westjet.ca)
5. "Resolve Baggage Re-Screening," CAC Urges Prime Minister, U.S. President for Leaders Summit, July 5, 2007, [www.cacairports.ca](http://www.cacairports.ca)
6. New International Air Cargo Trans-shipment Program for the Calgary International Airport, July 6, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
7. European Sky, July 6, 2007, [www.iata.org](http://www.iata.org)
8. Proposed Regulations to Improve Aviation Safety, July 9, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
9. U.S. Transportation Secretary Peters Signs Aviation Agreement to Benefit Washington's Air Passengers and Businesses, July 9, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
10. Carriage of Animals as Checked Baggage: Canadian Transportation Agency Suspends Air Canada's Proposed Modification on International Flights, July 11, 2007, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
11. Aircraft movement statistics, July 16, 2007, [www.statcan.ca](http://www.statcan.ca)
12. Canada's New Government Announces Blue Sky Agreement with the Republic of Iceland, July 18, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
13. WestJet Announces Additional Aircraft and Debt Financing, July 18, 2007, [www.westjet.ca](http://www.westjet.ca)
14. WestJet Jettisons Reservation System, July 20, 2007, [www.nationalpost.ca](http://www.nationalpost.ca)
15. WestJet: Clive Beddoe Steps Down as CEO, July 24, 2007, [www.westjet.com](http://www.westjet.com)
16. Canada's Airports: Doing our Part for Canadian International Business Strategy, July 23, 2007, [www.cacairports.ca](http://www.cacairports.ca)
17. Half Year Traffic Results: Passenger Growth Strong, Cargo Sluggish, July 30, 2007, [www.iata.org](http://www.iata.org)
18. Air Canada ranked 'Best Airline in North America' in world's largest survey of air travellers, July 30, 2007, [www.aircanada.ca](http://www.aircanada.ca)
19. Canada's airports welcome Ontario-Quebec Continental Gateway and Trade Corridor, July 30, 2007, [www.cacairports.ca](http://www.cacairports.ca)
20. New accord takes aim at aircraft subsidies, July 31, 2007, [www.globeandmail.ca](http://www.globeandmail.ca)

\* 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.

Infrastructure and Communities, launched an international air cargo trans-shipment program at Calgary International Airport. The new program simplifies air carrier access to Calgary for air cargo trans-shipment and provides an additional incentive to use the airport's cargo facilities. Trans-shipped cargo could also be shipped by rail or road from Calgary to the United States. Similar trans-shipment programs were introduced at Mirabel (1982), Hamilton (1987), Windsor (1993), Gander (2000), Winnipeg (2004) and Edmonton (2006).

### **7. European Sky**

The High Level Group (HLG) report for the Future European Aviation Regulatory Framework outlines ten recommendations for further development of a safe, cost-efficient and environmentally friendly European Air Traffic Management (ATM) system. At the core of the report's recommendations is realising an effective Single European Sky (SES). The International Air Transport Association (IATA) welcomed the report.

### **8. Proposed Regulations to Improve Aviation Safety**

On July 9, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced proposed regulatory amendments to increase accountability in the aviation sector through the implementation of safety management systems by airports and organizations providing air traffic services.

### **9. U.S. Transportation Secretary Peters Signs Aviation Agreement to Benefit Washington's Air Passengers and Businesses**

U.S. Secretary of Transportation Mary E. Peters and Chinese Minister of Civil Aviation Yang Yuanyuan signed a landmark aviation agreement with China. Passengers and businesses in cities like Seattle will have access to better travel connections and cheaper shipping options to China. The new agreement will more than double commercial passenger departures by 2012 and provide unlimited cargo flights between the U.S. and China, opening Seattle to new opportunities in its position as "one of the best gateways to the Pacific." Estimates predict that this accord will generate as much as \$5 billion in passenger and cargo revenues for the airline industry alone over the next six years and will produce as much as \$8 billion in new economic activity in the United States.

### **10. Carriage of Animals as Checked Baggage: Canadian Transportation Agency Suspends Air Canada's Proposed Modification on International Flights**

The Canadian Transportation Agency has suspended an application filed by Air Canada to amend its transborder and international tariffs to discontinue the carriage of animals as checked baggage. This suspension is intended to provide greater certainty for the air travelling public pending a final determination on the matter.

### **11. Aircraft movement statistics [June 2007 Preliminary]**

The 42 Canadian airports with NAV CANADA air traffic control towers reported 445,745 aircraft take-offs and landings in June 2007, up 8.9% compared with June 2006 (409,285 movements). It is the 13th consecutive increase in year-over-year monthly comparisons.

### **12. Canada's New Government Announces Blue Sky Agreement with the Republic of Iceland**

On July 18, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced the first Open Skies agreement with the Republic of Iceland, under the Government of Canada's Blue Sky policy. The new agreement allows airlines of both countries to operate passenger and all-cargo scheduled air services between any city in Canada and Iceland. Canadian carriers will also be allowed to use Iceland as a platform to serve a third country and vice-versa. The agreement will complement the recent free trade agreement signed with Iceland and other countries of the European Free Trade Association.

### **13. WestJet Announces Additional Aircraft and Debt Financing**

WestJet announced on July 18, 2007 that it has finalized a term sheet with BOC Aviation Pte. Ltd. (BOC Aviation), formerly Singapore Aircraft Leasing Enterprise (SALE), for three Boeing Next-Generation 737 aircraft to be delivered in 2010.

### **14. Westjet Jettisons Reservation System**

WestJet Airlines Ltd. has given up on launching the new aiRES system with its developer, Travelport Inc. after investing more than two years and \$38-million in its system. Sean Durfy the airline's president said "Unfortunately, the possibility of implementing a future version of aiRES in the timeframe needed to meet WestJet's requirements is highly unlikely." The system was supposed to give the airline the ability to forge partnerships with foreign carriers, sell seats through U.S. travel Web sites, and bundle fares with extra services. WestJet said that it will consider another system.

### **15. WestJet: Clive Beddoe Steps Down as CEO**

On July 24, 2006, WestJet announced that Clive Beddoe will be stepping down as Chief Executive Officer on September

### **US**

1. Airlines On-Time Performance in May Better Than April But Slips From Previous Year, July 3, 2007, [www.dot.gov](http://www.dot.gov)
2. BTS Releases April 2007 Airline Traffic Data; April 2007 Domestic Traffic Up 2.8 Percent From April 2006, July 12, 2007, [www.dot.gov](http://www.dot.gov)
3. BTS Releases May Passenger Airline Employment Data; Network Airlines Report First Monthly Increase since August 2001, July 17, 2007, [www.dot.gov](http://www.dot.gov)
4. The EU ensures access to air transport for persons with reduced mobility, July 25, 2007, [www.europa.eu](http://www.europa.eu)
5. BTS Releases First-Quarter 2007 Air Fare Data; Average First Quarter Air Fares Fell 0.6 Percent from 2006; Top 100 Airports: Highest Fare in Cincinnati, Lowest Fare at Dallas Love, July 25, 2007, [www.dot.gov](http://www.dot.gov)

4, 2007. Sean Durfy will become President and Chief Executive Officer effective that same day. Mr. Beddoe will continue to play a key role within WestJet as the company's Executive Chairman by establishing and supporting the strategic direction of the company.

#### **16. Canada's Airports: Doing our Part for Canadian International Business Strategy**

At the National Business Travel Association conference held in Boston on July 23, 2007, the Canadian Airports Council called on the government to make resolutions on airport rents and international air liberalization as key priorities for the competitiveness of Canadian airports and communities on a global scale. Canada needs to develop an international business strategy as an enabler to growing Canada's international competitiveness.

#### **17. Half Year Traffic Results: Passenger Growth Strong, Cargo Sluggish**

The International Air Transport Association (IATA) traffic results for the first six months of 2007 show 6.3% growth in year-on-year international passenger demand, slightly higher than the 5.9% rise recorded for the year 2006. Average passenger load factor was 75.7% during the first half of the year, up 0.6% over the same period in 2006. Passenger demand growth, however, weakened to 5.3% for the month of June 2007, the lowest growth rate in nine months. Freight demand for the first six months of 2007 grew 2.7%, below the 4.6% growth recorded for the same period in 2006. In contrast, demand for freight grew 4.9% for June 2007 year-on-year, the second consecutive month of strengthening demand for freight.

#### **18. Air Canada ranked 'Best Airline in North America' in world's largest survey of air travellers**

Air Canada has been ranked as 'Best Airline in North America' in the world's largest survey of 14 million air travelers. The survey was conducted by the independent UK-based research firm Skytrax between August 2006 and June 2007. This is the second time in three years that Air Canada was placed first among North American carriers. Star Alliance, of which Air Canada is a founding member, was ranked as Best Airline Alliance.

#### **19. Canada's airports welcome Ontario-Quebec Continental Gateway and Trade Corridor**

The Canadian Airports Council welcomed the announcement on July 30, 2007 from the Federal and two provincial governments on the development of a Continental Gateway and Trade Corridor. President and CEO of Canada Airports Council agreed with the governments views that efficient gateways and corridors will fuel economic growth and boost Canada's competitiveness in global markets.

#### **20. New accord takes aim at aircraft subsidies**

The Organization for Economic Co-operation and Development (OECD) says the world's major civil aircraft exporting countries – including past foes Canada and Brazil – have signed on to a pact limiting government support for the sale of all types of aircraft, from jumbo jets to small planes and helicopters. As a result, fights over government aerospace subsidies could soon be a thing of the past.

### **WATER TRANSPORTATION**

#### **1. Canada Shipping Act, 2001 Ushers in New Era of Safety and Protection of the Marine Environment**

The *Canada Shipping Act, 2001* (CSA 2001) came into effect on July 1, 2007. It replaces the *Canada Shipping Act* (CSA) as the principal legislation governing safety in marine transportation and recreational boating, as well as protection of the marine environment. "The coming into force of CSA 2001 is a significant milestone in Canada's maritime history," said Minister Cannon.

**2. No peak jam seen for U.S. ports** Container ports in the United States should remain congestion-free throughout the peak shipping season, according to the July Port Tracker released on July 5, 2007 by Global Insight and the National Retail Federation.

#### **3. Port of Vancouver, Accumulated Traffic Report [June 2007]**

The Port of Vancouver reported that total containers for the first six months of 2007 increased by 5% over June 2006. Imports increased by 7% whereas exports increased by 3%. The total container traffic (TEUs) for the first six months of 2007 were 1,086,640 which consisted of imports of 571,592 TEU's and exports of 515,048 TEU's.

#### **4. Potential West Coast Port Strike for Ocean Shipments**

Due to labor contract negotiations at the United States West Coast ports of Long Beach CA and Los Angeles, CA, the potential for work stoppage exists at these ports. This is the first of two possible work stoppage threats, the second possibly happening in July of 2008. The possible July 2008 strike is predicted to be much longer if it happens. If a stoppage occurs on July 20, it is projected to be short lived, but could still affect ocean cargo moving through either port

#### **Water Transportation**

##### **Canada**

1. *Canada Shipping Act, 2001 Ushers in New Era of Safety and Protection of the Marine Environment*, Jul3, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
2. No peak jam seen for U.S. ports, July 5, 2007, [www.joc.com](http://www.joc.com)
3. Port of Vancouver, Accumulated Traffic Report [June], July 11, 2007, [www.portvancouver.com](http://www.portvancouver.com)
4. Potential West Coast Port Strike for Ocean Shipments, July 19, 2007.
5. Port of Montreal - Accumulated Container Traffic Report - Year to Date June 2007, July 25, 2007, [www.portofmontreal.ca](http://www.portofmontreal.ca)

##### **US**

1. Strike threat grows as union talks reach impasse, July 26, 2007, [www.joc.com](http://www.joc.com)
2. Ocean lines surge while rail, truck lag, July 30, 2007, [www.joc.com](http://www.joc.com)

for export or import.

### **5. Port of Montreal - Accumulated Container Traffic Report - Year to Date June 2007**

Year-to-date (i.e., January to June 2007) container traffic statistics were released by the Port of Montreal. For the period January to June 2007, the total number of container (TEUs) traffic was 672,265 an increase of 5.2% over the same period in 2006. Exports did better than imports, recording an increase of 9.1% compared to 1.0%. In terms of metric tonnes total container traffic was 7.6% greater than the same period last year.

## **RAIL TRANSPORTATION**

### **1. Canadian Pacific believes CTA revenue cap maintenance estimate is overstated**

In its planned review of the hopper car maintenance compensation, the Canadian Transportation Agency suggested that the revenue entitlement for CP and Canadian National Railway (CN) combined might be reduced by as much as \$60 to \$75 million dollars. Senior Vice President Marketing & Sales for Canadian Pacific, Marcella Szel, said "We believe the CTA's suggested adjustment is overstated, ... Over the next several months CP will be engaged in the formal review of the appropriate amount of money to be embedded in the 2007- 2008 revenue cap."

### **2. CN to resume rail operations and lift embargo on Toronto-Montreal main line following end of illegal blockade**

CN resumed operations and cancelled a traffic embargo on its Toronto-Montreal main line on June 30, 2007 after protesters ended an illegal occupation of its tracks near the eastern Ontario town of Marysville.

### **3. Competition Bureau completes measures to increase competition in grain handling industry**

On July 5, 2007, the Competition Bureau announced the finalization of a series of remedies to maintain and promote competition in the grain handling industry in Western Canada. These remedies were required to eliminate the substantial lessening of competition resulting from SaskPool's acquisition of Agricore United in June 2007. The Commissioner will be withdrawing her application to the Tribunal challenging this joint venture.

### **4. The Governments of Canada and Quebec Invest in the Restoration of Quebec Shortline Railways**

On July 5, 2007, the governments of Canada and Quebec announced a total investment of more than \$75 million over five years to restore the infrastructure of shortline railways. Nine shortline railways in various regions of Quebec will benefit from the governments of Canada and Quebec's contributions to realise major work, which will have an impact on several Quebec regions.

### **5. Canadian Transportation Agency Orders CN to Improve Grain Shipper's Access to Rail Cars**

The Canadian Transportation Agency, in its Decision No. 344-R-2007 released on July 7, 2007 found that the Canadian National Railway Company (CN) breached its statutory obligations to provide Great Northern Grain Terminals Ltd. (GNG) with adequate and suitable rail service. The complaint alleged that CN

discriminated against GNG in the distribution of rail cars, rendering GNG and other small grain handling companies uncompetitive in the marketing of grain. To remedy this situation, the Agency ordered CN to: put in place a program whereby GNG can order blocks of 50 rail cars in advance; not prohibit or restrict GNG from trading cars; advise GNG of the methodology it uses in its determination of allocating rail cars and encourage the railway to make this information available to other shippers on its Web site; and to implement the Agency's directions by the beginning of the 2007-2008 crop year, commencing August 1, 2007.

### **6. CN engineer ignored alarms before B.C. derailment: report**

On July 11, 2007, the Transport Safety Board reported that a flawed safety inspection, an ignored alarm and a failure by CN to confront the risks of travel along one of Canada's most challenging railways all contributed to the disastrous derailment of a freight train in Cheakamus Canyon, in British Columbia.

### **7. Brookfield-led group stalks CPR**

## **Rail Transportation**

### **Canada**

1. Canadian Pacific believes CTA revenue cap maintenance estimate is overstated, June 29, 2007, [www.cpr.ca](http://www.cpr.ca)
2. CN to resume rail operations and lift embargo on Toronto Montreal main line following end of illegal blockade, June 30, 2007, [www.cn.ca](http://www.cn.ca)
3. Competition Bureau completes measures to increase competition in grain handling industry, July 5, 2007, [www.competitionbureau.gc.ca](http://www.competitionbureau.gc.ca)
4. The Governments of Canada and Quebec Invest in the Restoration of Quebec Shortline Railways, July 5, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
5. Canadian Transportation Agency Orders CN to Improve Grain Shipper's Access to Rail Cars, July 6, 2007, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
6. CN engineer ignored alarms before B.C. derailment: report, July 11, 2007, [www.nationalpost.ca](http://www.nationalpost.ca)
7. Brookfield-led group stalks CPR, July 17, 2007, [www.globeandmail.ca](http://www.globeandmail.ca)
8. Canadian Pacific responds to takeover rumours, July 19, 2007, [www.cpr.ca](http://www.cpr.ca)
9. CP says Brookfield approached but no takeover talks, July 18, 2007, [www.nationalpost.ca](http://www.nationalpost.ca)
10. Box cars derail after CN line fails, July 18, 2007, [www.globeandmail.ca](http://www.globeandmail.ca)
11. CN posts 2007 Investor Fact Book and corporate safety and environmental report on company website, July 19, 2007, [www.cn.ca](http://www.cn.ca)
12. CN reports diluted Q2-2007 earnings per share of C\$1.01, or adjusted diluted EPS of C\$0.95, excluding a deferred income tax recovery of C\$0.06 per share, July 23, 2007, [www.cn.ca](http://www.cn.ca)
13. CN slashes outlook, posts lower profit, July 24, 2007, [www.globeandmail.ca](http://www.globeandmail.ca)
14. CN announces new, larger share repurchase program, declares third-quarter 2007 dividend, July 23, 2007, [www.cn.ca](http://www.cn.ca)
15. Canadian Pacific announces strong second quarter results, July 24, 2007, [www.cpr.ca](http://www.cpr.ca)
16. For CPR CEO, focus is on internal growth, *The Globe and Mail*, July 25, 2007, p. B5.
17. Railway carloadings [May 2007], July 26, 2007, [www.statcan.ca](http://www.statcan.ca)

A private equity consortium led by Brookfield Asset Management Inc. is preparing a takeover offer for Canadian Pacific Railway Ltd. If successful, this takeover would represent one of the largest leveraged buyouts this country has seen, according to people familiar with the matter. It could also lead to other bids. The most likely strategic buyer is Union Pacific Corp., the largest U.S. railway. CPR and Union Pacific discussed a merger in 2000, when rivals Canadian National Railway Co. and Burlington Northern Santa Fe Corp. announced plans to merge.

#### **8. Canadian Pacific responds to takeover rumours**

From time to time, CP receives inquiries with respect to possible acquisitions or business combinations. In response to the current speculation it stated "Earlier this year, CP received a highly conditional inquiry from Brookfield seeking exclusive negotiations and due diligence. CP's Board of Directors considered the inquiry to be inadequate after due deliberation and declined to enter into discussions. While CP continues to receive such inquiries, it is not at this time in negotiations with any party with respect to a business combination."

#### **9. CP says Brookfield approached but no takeover talks**

Acquisition interest for CP surged in the past few weeks as railroad assets became increasingly attractive to investors seeking stable returns. Other North American railroad stocks also traded sharply higher following the report of takeover talks. The rise in CP stocks subsided slightly after the release of a statement by CP. Railway assets have been increasingly attractive as high gas prices have made truck transport a costly mode of distribution, and outsourcing to places like China continues to be the defining marker of the global economy.

#### **10. Box cars derail after CN line fails**

On July 18, 2007, four box cars left the tracks when a section of the CN Rail line running through Grande Prairie, Alta., gave way and caused a derailment. The accident occurred about two blocks east of downtown.

#### **11. CN posts 2007 Investor Fact Book and corporate safety and environmental report on company website**

On July 19, 2007, CN announced the availability of two new publications on its website – the *2007 Investor Fact Book*, and a *Corporate Social Responsibility Report* on the company's safety and environmental initiatives.

#### **12. CN reports diluted Q2-2007 earnings per share of C\$1.01....**

CN announced its second-quarter results for 2007, on July 23, 2007. The highlights for the second quarter compared to the same period in 2006 were: net income of C\$526 million, down 29%; operating income of C\$811 million, down 0.7%; and operating ratio of 60.0, a 0.2 point increase. Second-quarter 2007 revenues increased one per cent to C\$2,027 million. Operating expenses for the quarter increased by 1.8 per cent to C\$1,216 million. The strong Canadian dollar, weather and shutdowns due to demonstrations adversely affected second quarter results.

#### **13. CN slashes outlook, posts lower profit**

Canada's largest railway, Canadian National Railway Co., now "expects full-year, adjusted diluted earnings per share growth of about 5 per cent, compared with the earlier growth forecast of 10 per cent plus." Woes have included the rising Canadian dollar, labour strife, weakness in forest products shipments and delays on tracks. For instance, the line to the Port of Prince Rupert in B.C. was shut down for about a week after a June flood and there were two native blockades of CN's busy Montreal-Toronto freight line. CN executives say that CN has considered breaking itself up into real estate and train operating entities, but doesn't see any compelling reason to undergo such a conversion. They do not feel it will have any impact on the company despite the recent speculation that CP may go that way.

#### **14. CN announces new, larger share repurchase program, declares third-quarter 2007 dividend**

CN announced on July 23, 2007 that its Board of Directors authorized a repurchase for cancellation up to 33 million, or 6.6 per cent, of the common shares outstanding of the Company not held by its insiders on July 11, 2007. Approximately 502 million CN common shares were issued and outstanding on that date. The new repurchase program was initiated on July 26, 2007 and will end no later than July 25, 2008. Its Board of Directors approved a third-quarter 2007 dividend of C\$0.21 per common share to be paid on Sept. 28, 2007 to shareholders on the Company's common outstanding shares.

#### **15. Canadian Pacific announces strong second quarter results**

Canadian Pacific Railway announced its second-quarter results on July 24, 2007. For the second quarter: net income was \$256.7 million, a decrease of 32.1% when compared to same period in 2006; operating ratio was 74.7 per cent, an improvement by 0.3; freight revenue was \$1.2 billion, an increase of 8 per cent; and operating expenses were \$907.8 million, up by 59.4 million or 7%. Fred Green, CP's President and CEO said "We produced 12 percent growth in adjusted diluted EPS and posted further improvement in our operating ratio in spite of a 26-day strike and tough weather-related operating conditions. We safely moved record volumes ..."

#### **16. For CPR CEO, focus is on internal growth**

CPR's CEO, Fred Green, says his company intends to stick to its internal growth strategy, playing down the need to

attract a suitor. Brookfield Asset Management sought to acquire CPR in April 2007, proposing that the company be divided into a real estate division that owns the real estate and tracks and a division that would run the trains. It's a model that has been in existence for some time, and is one that is considered, when privatising and introducing competition in the rail sector is favoured. Mr. Green doubted whether this model would be the best corporate route to go from a rail safety standpoint. CPR reiterated its outlook for the rest of 2007, forecasting diluted earnings per share of \$4.30 to \$4.45.

### **17. Railway carloadings [May 2007]**

Railway loadings surged in May 2007, reaching their highest monthly level (25.8 million metric tonnes) since March 2005, up 9.6% from April 2007. The rise in total loadings was largely attributed to the growth in coal, iron and wheat. Intermodal traffic was also up, loadings of containers on flat cars rose 5.0% from April 2007 to 2.4 million metric tonnes.

## **HIGHWAY TRANSPORTATION**

### **1. Province Supports Mandatory Speed Limiters**

Transportation Minister of Ontario Donna Cansfield said "Ontario is proposing to regulate speed limiters at 105 kilometres per hour. Regulating the use of speed limiters for large commercial trucks may help prevent serious collisions." A speed limiter is a built-in microchip that enables a truck engine's top speed to be preset. All trucks built in the last decade come equipped with this technology. Ontario Trucking Association president, David Bradley, says, "This is a great step forward for highway safety and for the environment."

### **2. Completion of Highway 30 under a PPP: Request for Proposals, Bid Agreement and Tolls**

On July 13, 2007, the Governments of Canada and Quebec announced a major step towards Quebec's selection of a private partner for the completion of Highway 30. Three qualified candidates are invited to continue in the process. The three are: Infras-Québec A-30, Nouvelle

Autoroute 30, and SNC-Lavalin. They are now asked to submit proposals that meet the technical and financial requirements for the completion of the western section of Highway 30.

### **3. For-hire motor carriers of freight, all carriers [4th quarter 2006]**

In the fourth quarter of 2006, there were an estimated 3,552 for-hire trucking companies based in Canada with annual revenues of \$1 million or more, up from 3,432 in the fourth quarter of 2005. Their operating revenues for this quarter totalled \$7.1 billion, down 1.5% from the same quarter in 2005. Their operating expenses reached \$6.7 billion, down 0.4%. These were the first decreases in year-over-year comparisons since the third quarter of 2002. The operating ratio (operating expenses divided by operating revenues) deteriorated from 0.93 to 0.94.

### **4. Official Opening of the Peace Bridge Plaza**

The Canadian government and the Buffalo and Fort Erie Public Bridge Authority officially opened the new Canada Border Services Agency Peace Bridge Travellers Operations Building, the Peace Bridge Refugee Processing Unit and the Peace Bridge Newcomers Centre on July 16, 2007. It also celebrated the completion of the redevelopment of the Peace Bridge plaza.

### **5. For-hire motor carriers of freight, top carriers**

In the first quarter of 2007, the top 91 Canadian for-hire motor carriers of freight (\$25 million or more annually) generated operating revenue of \$2.5 billion and operating expenses of \$2.4 billion both up by approximately 4% from the previous quarter. Average per-carrier revenue decreased 2% to \$25.9 million, while average per-carrier expenses decreased 1.1% to \$24.6 million from the previous quarter. The operating ratio (operating expenses divided by operating revenue) stood at 0.95 compared with 0.94 in the previous quarter.

### **6. Vancouver port bans some trucks**

The Vancouver Port Authority implemented tougher environmental and safety standards on July 16, 2007. Motor carriers must meet the new standards in order to acquire or retain trucking licenses. The standards requiring cleaner and more modern engine technology ban older trucks from port premises. By Jan. 1, 2008, trucks built before 1989 will be prohibited and by Jan. 1, 2009, trucks built before 1994 will be banned. Appeals will be allowed for older trucks whose emissions meet acceptable standards.

### **7. Trucking Groups Urge Government Support for Fuel-Saving APUs (Auxiliary Power Units)**

On July 17, 2007, the American Trucking Associations (ATA) and the Canadian Trucking Alliance (CTA) urged state governments in the United States and provincial governments in Canada to revise their fuel tax systems to encourage

## **Highway Transportation**

### **Canada**

1. Province Supports Mandatory Speed Limiters, July 3, 2007, [www.mto.on.ca](http://www.mto.on.ca)
2. Completion of Highway 30 under a PPP: Request for Proposals, Bid Agreement and Tolls, July 13, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
3. For-hire motor carriers of freight, all carriers, July 13, 2007, [www.statcan.ca](http://www.statcan.ca)
4. Official Opening of the Peace Bridge Plaza, July 16, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
5. For-hire motor carriers of freight, top carriers, July 16, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
6. Vancouver port bans some trucks, July 16, 2007, [www.joc.com](http://www.joc.com)
7. Trucking Groups Urge Government Support for Fuel-Saving APUs, July 17, 2007, [www.cantruck.ca](http://www.cantruck.ca)

### **US**

1. BTS Releases Freight Transportation Services Index (TSI); Freight Index Rose 0.1 Percent in May from April, July 11, 2007, [www.dot.gov](http://www.dot.gov)

truckers to use environmentally friendly idling reduction technology. Its use could reduce the fuel consumption of a long-haul tractor by some 1,900 gallons or 7,200 litres per year—which equates to an emissions reduction of greenhouse gases of some 42,000 pounds or 19 metric tons.

## OTHER TRANSPORTATION

### 1. Energy and Transportation in Europe Digest (July 2007)

The Digest highlights the following two major developments in Europe in Transportation for July 2007. a) Airlines black list: Commission adopts new measures against unsafe carriers; and b) High-level experts call for more performance-driven air traffic management.

### 2. Travel between Canada and other countries

Travel to and from Canada rebounded in May 2007 with Canadian residents taking an estimated 606,000 trips to *overseas* countries. This is only the third month since 1972 that the number of trips overseas by Canadians crossed the 600,000 mark. Overall, Canadians took nearly 4 million trips abroad, an increase of 0.7% over April 2007. Canadians took more than 3.3 million trips to the *United States* in May 2007 an increase of 0.6% compared with the previous month. Overnight travel from the United States rose 3.6% in May compared with April, as American residents took more than 1.1 million trips to Canada. Travel from 7 of Canada's top 12 overseas markets was down in May vs. April.

### 3. Domestic travel [First quarter 2006 (preliminary)]

The visits made by Canadian travellers in Canada totalled 42.5 million during the first quarter of 2006, an increase of 2% compared to the first quarter of 2005.

Visits for pleasure, vacation, holiday and visiting friends and relatives represented 86% of all domestic visits. Intra-provincial visits reached 39.2 million in the first quarter of 2006, while inter-provincial visits totalled 3.4 million.

### 4. The Governments of Canada and Prince Edward Island Team up to Make P.E.I. Transportation Safer and More Reliable

Canada's New Government and the government of Prince Edward Island (P.E.I.) announced on July 26, 2007 that they will invest up to \$47,350 for the deployment and integration of intelligent transportation systems in the province. The projects being funded will help make transportation in P.E.I. safer, more reliable and more efficient. Each government will contribute equally to the project.

### 5. Governments of Canada, Ontario and Quebec to Develop the Ontario-Quebec Continental Gateway and Trade Corridor

Government Officials announced on July 30, 2007, the signing of a Memorandum of Understanding on the development of the Ontario-Quebec Continental Gateway and Trade Corridor. It has the following objectives: 1) to examine global markets and trade opportunities for Canada; 2) to target key initiatives with significant trade potential that will benefit all Canadians; 3) to prepare for the future by developing a strategy that responds to new trade patterns and trends; and 4) to address issues linked to transportation, such as protecting the environment, ensuring quality of life and enhancing the security of Canadians.

## Other Transportation

### Canada

1. Energy and Transportation in Europe Digest (July 2007), July 6, 2007, [www.europa.eu](http://www.europa.eu)
2. Travel between Canada and other countries, July 19, 2007, [www.statcan.ca](http://www.statcan.ca)
3. Domestic travel [First quarter 2006 (preliminary)], July 26, 2007, [www.statcan.ca](http://www.statcan.ca)
4. The Governments of Canada and Prince Edward Island Team up to Make P.E.I. Transportation Safer and More Reliable, July 26, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)
5. Governments of Canada, Ontario and Quebec to Develop the Ontario-Quebec Continental Gateway and Trade Corridor, July 30, 2007, [www.tc.gc.ca](http://www.tc.gc.ca)

### US/EU

1. List of the subsidies granted in 2006 by the Directorate-General for Energy and Transport, July 2, 2007, [www.europa.eu](http://www.europa.eu)
2. Declining Traffic Deaths Lead to Lowest Highway Fatality Rate Ever Recorded, U.S. Transportation Secretary Mary E. Peters Announces, July 23, 2007, [www.dot.gov](http://www.dot.gov)

## Conferences

1. East Coast Maritime Conference, September 24-25, 2007, Virgin Beach, Virginia, US.
2. IATA Cargo in Emerging Market Series, September 18-19, 2007, Warsaw, Poland.

## Publications

1. *Sustainable Urban Transportation: A Winning Strategy for Canada*, The Conference Board of Canada, May 2007.
2. The Airport Voice, News and Views, CAC Newsletter, June/July 2007, [www.cacairports.ca](http://www.cacairports.ca)