

Transportation Information Update*

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AIR TRANSPORTATION

1. Aircraft movement statistics

The 42 Canadian airports with NAV CANADA air traffic control towers reported 381,708 aircraft take-offs and landings in April 2006. This represents an increase of 1.5% when compared to a year earlier. Toronto's Pearson airport was the most active with an increase in both overall and itinerant movements.

2. Air Canada's network extended north to Yellowknife with the launch of daily flights to Edmonton and Calgary

On July 3, 2006, Yellowknife (NWT) became the newest and most northern Canadian destination in Air Canada's network. Daily nonstop flights were offered to this destination from Edmonton. Air Canada will also offer one daily non-stop service from Yellowknife to both Edmonton and Calgary.

3. Economic growth reflected in strong passenger and freight demand

The International Air Transport Association (IATA) released international traffic data for May 2006 showing 7% growth in passenger demand and 5.1% growth for freight over the same period in 2005. Load factor for May 2006 achieved an average of 73.6%. IATA's Director General and CEO said that "Strong economies are supporting strong demand growth for both freight and passenger traffic."

4. Skies less friendly if you're over 60, AC pilots complain

A former Air Canada first officer wants the carrier to raise the mandatory retirement age for pilots to 65 from 60. The airline has been accused of engaging in age discrimination. The matter is scheduled to be presented in January 2007 in Ottawa to the Canadian Human Rights Tribunal, which has set aside 10 days to hear the case. Air Canada maintains that its retirement policy doesn't contravene the *Canadian Human Rights Act*.

5. First Ever Air Transport Agreement Between Canada and Algeria

Government officials announced on July 5, 2006, the conclusion of Canada's first air transport agreement with the Government of Algeria for scheduled air services between the two countries. The direct air services will benefit passengers, shippers, airlines and airports. The services will be provided by Air Algérie and Air Canada. Air Algérie will provide up to two flights per week between Algiers and Montreal and Air Canada intends to offer code-sharing services to Algeria via Europe, in cooperation with its partner airlines.

6. DOT Proposes Revoking IATA's Antitrust Exemption for Transatlantic and U.S.-Australia Fare and Rate Coordination

In an effort to enhance competition and provide lower fares for consumers flying internationally, the U.S. Department of Transportation (DOT) proposed on July 5, 2006 to withdraw antitrust immunity from the tariff-coordination meetings held by the International Air Transport Association (IATA) that discusses and set passenger fares and cargo rates for U.S.-Europe and U.S.-Australia flights. DOT has tentatively concluded that changes in international aviation services, such as the growth of international airline alliances, have made the pricing conferences unnecessary. The Department also noted that European Union and Australian competition authorities have tentatively determined to end or reduce the IATA conferences' immunity from their own competition laws.

Current Developments in Brief

Air Transportation

CANADA

1. Aircraft movement statistics, *Aircraft Movement Statistics*, June 29, 2006, www.statcan.ca
2. Air Canada's network extended north to Yellowknife with the launch of daily flights to Edmonton and Calgary, July 3, 2006, www.aircanada.ca
3. Economic growth reflected in strong passenger and freight demand, June 30, 2006, www.iata.org
4. Skies less friendly if you're over 60, AC pilots complain, July 4, 2006, www.globeandmail.ca
5. First Ever Air Transport Agreement Between Canada and Algeria, July 5, 2006, www.tc.gc.ca
6. DOT Proposes Revoking IATA's Antitrust Exemption for Transatlantic and U.S.-Australia Fare and Rate Coordination, July 5, 2006, www.dot.gov
7. No apologies for Pearson, *Financial Post*, July 5, 2006, p. FP3.
8. Air Canada Jazz resumes Toronto City Centre/Ottawa service, adds flights to Montreal, July 6, 2006, www.aircanada.ca
9. Designation of Skyservice to Portugal, July 6, 2006, www.tc.gc.ca
10. Air Canada reports 27 consecutive months of record system load factors, July 6, 2006, www.aircanada.ca
11. WestJet's June Load Factor Increases to 77.1%, July 6, 2006, www.westjet.ca
12. WestJet Continues to Soar with More Flights from Canada to the United States, July 6, 2006, www.westjet.ca
13. ACE Aviation Holdings Inc. Sells Additional 2.75 Million Shares in US Airways Inc., Total Proceeds Now Exceed US\$200M; Retains 500,000 Shares Valued at US\$27.8M July 7, 2006, www.aircanada.ca
14. E-tickets reduce flight bumping, Air Canada, *Financial Post*, July 8, 2006, p. FP3.
15. Transat is buying British tour operator, July 14, 2006, www.globeandmail.ca
16. Are airlines taking off or heading for a rough landing, *Financial Post*, July 15, 2006, pp. FP1/FP6.
17. Discount airlines strain to retain niche, *Financial Post*, July 15, 2006, p. FP6.

* 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.

7. No apologies for Pearson

Pearson international airport, the most expensive in terms of fees charged to airlines, is set to unveil on July 5, 2006 a new terminal-to-terminal tram. It is the final piece of the airport's \$4.4 billion re-development project. The CEO of the Greater Toronto Airport does not believe that the expenditure for the artwork of this airport is out of line as it is minuscule in terms of the airport's overall budget and it adds cultural value.

8. Air Canada Jazz resumes Toronto City Centre/Ottawa service, adds flights to Montreal

On August 28, 2006, Air Canada Jazz will resume operations from Toronto City Centre Airport, introducing an enhanced schedule with more destinations made possible by plans for improved access to the island airport. Air Canada Jazz will provide daily service between Toronto City Centre Airport and Ottawa, and will also re-instate service to Montreal. On weekdays, Jazz will offer ten round trips to Ottawa and seven round trips to Montreal. Weekend service will also be reintroduced to both Ottawa and Montreal.

9. Designation of Skyservice to Portugal

The Minister of Transport, Infrastructure and Communities, announced the designation of Skyservice Airlines Inc. to operate scheduled international air service between Canada and Portugal on July 6, 2006. Skyservice has indicated it intends to operate scheduled air services to Lisbon and Faro.

10. Air Canada reports 27 consecutive months of record system load factors

Air Canada reported a system load factor of 83.5 per cent in June 2006, the highest ever for June and a 27 consecutive month of record load factors. This represents a 2.2 percentage point increase over June of last year. Jazz, ACE's regional subsidiary, flew 56.5 per cent more revenue passenger miles in June 2006 than in June 2005. Its load factor was 73.8 per cent, a decrease of 1.3 percentage points from June of last year. Its load factor decreased due to an increase in capacity by 59.3 per cent.

11. WestJet's June Load Factor Increases to 77.1%

WestJet announced on July 6, 2006 that its traffic statistics for June 2006, featured an increase in load factor of 3.6 percentage points to 77.1%, compared with 73.5% in June 2005. During the first six months of 2006, the company's load factor increased 6.1 percentage points to 78.4%, compared with 72.3% during the same period in 2005. Available seat miles (ASMs) grew 20% to 1,005.2 million in June 2006, up from 837.8 million in June 2005. WestJet's revenue passenger miles (RPMs) for June 2006 increased 26% to 774.5 million, up from 615.4 million in June 2005.

12. WestJet Continues to Soar with More Flights from Canada to the United States

WestJet announced on July 6, 2006 that it is enhancing its winter schedule with the introduction of new non-stop transborder flights and additional daily flights from Canada to the United States. WestJet will provide enhanced service to the U.S. from Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa and Montreal. This news follows WestJet's recent announcement that it will expand its service to Hawaii through the fall, with daily service to both Maui and Honolulu from Vancouver.

13. ACE Aviation Holdings Inc. Sells Additional 2.75 Million Shares in US Airways Inc., Total Proceeds Now Exceed US\$200M; Retains 500,000 Shares Valued at US\$27.8M

On July 7, 2006, ACE Aviation Holdings Inc. (ACE) indicated that it has sold a further 2.75 million shares in US Airways Group Inc. (US Airways) at an average price of over US\$50 per share through a series of transactions on the open stock market for aggregate net proceeds of US\$137.93 million.

14. E-tickets reduce flight bumping, Air Canada

Air Canada's data show that instances of 'denied boarding' are falling despite the fact that the airline has posted 27 months of record load factors. This contrasts with the experience in the U.S. where government statistics show a 22 percent increase in travellers that have been denied boarding. One explanation for a decline in bumping is the increase in online web purchases which are cheaper, non-refundable and personal. Carriers indicate that the policy to oversell seats is employed by a number of carriers and there is compensation at times for being bumped.

18. Air Canada provides update on wage review arbitration process, July 18, 2006, www.aircanada.ca

19. Competition, rising fuel cost prompt Westjet Airlines downgrade, *Financial Post*, July 19, 2006, p. FP11.

20. Taking care of business: Air Canada launches U.S. edition of multi-user Flight Passes to simplify travel for businesses of all sizes, July 19, 2006, www.aircanada.ca

21. Air Canada to offer non-stop seasonal service between St. John's, NL and London, U. K., with daily flights during summer peak travel, July 21, www.aircanada.ca

22. WestJet Finalizes Term Sheet for Additional Aircraft, July 20, 2006, www.westjet.ca

23. Aircraft movement statistics (June 2006), *The Daily*, www.statcan.ca

24. Strong Traffic Demand in First Half of 2006 - The Bottom Line is All About Oil, July 27, 2006, www.iata.org

25. Aircraft movement statistics: Small airports, July 27, 2006, www.statcan.ca

US/EU

1. BTS Releases Transportation Services Index (TSI); Index Rose 1.1 Percent in May from April, July 7, 2006, www.dot.gov

2. Farewell Remarks for the Honorable Norman Y. Mineta Secretary of Transportation Facing the Truth about Transportation in the 21st Century U.S. Chamber of Commerce Washington, DC, July 6, 2006, www.dot.gov

3. U.S. Department of Transportation, NASA and Others Announce Future Vision for Air Transportation, www.dot.gov

4. BTS Releases May Passenger Airline Employment Data; May 2006 Employment Down 5.0 Percent from May 2005, July 18, 2006, www.dot.gov

5. Second quarter profits soar at American, Continental, July 21, 2006, www.americanshipper.com

6. BTS Releases First-Quarter 2006 Air Travel Price Index (ATPI) Airline Index Up 10.3 Percent from First Quarter 2005; Top Increase in Cincinnati, Top Decrease in Honolulu, July 27, www.dot.gov

15. Transat is buying British tour operator

Vacation travel company Transat A.T. Inc. is paying \$42.8-million in cash for British tour operator The Airline Seat Co., (TASC) owner of the Canadian Affair brand. CEO Jean-Marc Eustache said that Transat sells a significant number of seats between Canada and the U.K. and now becomes a tour operator in Canada's largest tourism market in Europe. TASC is one of the largest British tour operators specializing on U.K.-Canada routes, with annual sales of about \$155-million, and trips to seven Canadian destinations. Its head office is in London and it has offices in Glasgow and Vancouver. Transat is active in Europe. Transat offers direct flights between several Canadian cities and 30 European destinations in 10 countries this summer with its sister company and subsidiary Air Transat Holidays.

16. Are airlines taking off or heading for a rough landing

Demand for airline seats is soaring and according to an analyst at Merrill Lynch, industry fundamentals are good. Eight of the ten largest US carriers are expected to report the first quarterly profit in the US since September 2000. Other industry observers warn that the good times may be short-lived pointing to the rising fuel bills and interest rates. Pierre Jeannot, indicated that there is room for three or four US major carriers not six. There is a belief that there could be some mergers. The situation is different in Canada given the recent structural changes. The challenge for all north American airlines is to improve efficiency.

17. Discount airlines strain to retain niche

Southwest Airlines Co., the low-cost low fare airline, is assigning passenger seats on aircraft after a 35-year history of first-come, first serve hoping that it saves money by achieving a quicker turnaround of flights. As traditional airlines borrow ideas from discount airlines, it is becoming increasingly difficult to distinguish between the two. The basic difference now according to one analyst is the use of smaller hubs by discount airlines but this is also starting to change as some of them go into rival hubs. The fact that the two services provided by the two types of airlines is merging is going to put pressure on the low cost carriers.

18. Air Canada provides update on wage review arbitration process

Michel Picher, Arbitrator, issued his wage review award for Air Canada's Customer Sales and Service employees and Crew Schedulers (approximately 5,540) represented by the CAW. The arbitration, dealing exclusively with adjustment to the hourly wage rate, was conducted pursuant to a provision in collective agreements reached between the Company and its unions in 2003. The award granted CAW-represented employees a 1% wage increase effective July 2006, 1.75% effective July 2007 and 1.75% effective July 2008.

19. Competition, rising fuel cost prompt Westjet Airlines downgrade

Analysts downgraded shares of WestJet Airlines Ltd. after recommending investors buy the stock for more than 16 months. The recommendation was made due to soaring jet fuel prices, WestJet's status as a rapidly-maturing airline and the increased costs associated with WestJet's new strategy for competing with Air Canada.

20. Taking care of business: Air Canada launches U.S. edition of multi-user Flight Passes to simplify travel for businesses of all sizes

Air Canada announced on July 19, 2006 that it is expanding its line of innovative, multi-trip Flight Pass products to enable companies in the United States to better manage travel while simplifying the booking process for employees. The multi-user Flight Passes allow companies to pre-purchase air travel on Air Canada and regional airline Air Canada Jazz, between the U.S. and Canada, and within Canada. Air Canada's 'U.S. Small Business Pass' and 'U.S. Corporate Pass' are designed to provide businesses with flexibility, it is available at aircanada.com, U.S.edition, and from travel agents. 8 people can use the former and 300 the latter.

21. Air Canada to offer non-stop seasonal service between St. John's, NL and London, U. K., with daily flights during summer peak travel

Air Canada announced on July 20, 2006 seasonal non- stop service between St. John's, NL and London, U.K. beginning April 6, 2007. Air Canada's service to London will operate three times weekly on Wednesday, Friday and Sunday in April 2007, increasing to five times a week in May 2007, and to daily service from mid-June to September 2007.

22. WestJet Finalizes Term Sheet for Additional Aircraft

WestJet announced on July 20, 2006 that it has finalized a term sheet with Singapore Aircraft Leasing Enterprise (SALE) for four Boeing Next-Generation 737 aircraft to be delivered in late 2007 and early 2008. WestJet currently has a registered fleet of 57 aircraft, with committed deliveries scheduled for the remainder of 2006 and throughout 2007 and 2008. By the end of 2008, these additional aircraft will bring WestJet's fleet size to 76.

23. Aircraft movement statistics (June 2006)

The 42 Canadian airports with NAV CANADA air traffic control towers reported 406,811 aircraft take-offs and landings in June 2006, up from 390,620 movements in June 2005. It surpassed the level recorded a year earlier by 4.1%. Year-over-year increases in aircraft movements were reported by 26 of these airports in June 2006.

24. Strong Traffic Demand in First Half of 2006 - The Bottom Line is All About Oil

The International Air Transport Association (IATA) reported on July 27, 2006 that 2006 international passenger traffic for the first half of the year grew 6.7% while international freight traffic was up 5.2% over the same period in 2005. The passenger load factor reached 75.1%, 1.2 percentage points higher than during the same period last year. The bad news is that oil prices continue to reach record levels. The good news is that despite this and higher interest rates demand has not been severely affected.

25. Aircraft movement statistics: Small airports

In March 2006, the number of landings and take-offs at airports 'without' traffic control towers numbered 47,539. This was a 19.8 percent increase over March 2005. The year to date increase, however was much less 2.6 percent. Guelph was the most active airport.

WATER TRANSPORTATION

1. Memorandum of Understanding Signed on Icebreaking Activities on the St. Lawrence Seaway

An agreement between the Government of Canada and the Akwesasne Mohawks has been reached with the signing of a memorandum of understanding on icebreaking activities on the St. Lawrence Seaway. This agreement promotes transparency and dialogue.

2. Consultations Have Begun on Oil Spill Risk Assessment for South Coast of Newfoundland and Labrador

Government officials announced that public consultation sessions are being held at various locations along the south coast of Newfoundland to provide the public with an overview of the Environmental Risk Assessment Study of the South Coast of Newfoundland and Labrador. The study will assess and quantify the risk facing the southern coast of Newfoundland and Labrador over the next 10 years from the transportation of oil and oil products as cargo or fuel for commercial vessels.

3. Canadian Transportation Agency Finds Port of Nanaimo Passenger Fees Should Be Revised

The Canadian Transportation Agency has ruled that a passenger fee tariff introduced by the Nanaimo Port Authority in March 2005 is, in part, unjustly discriminatory and that it should be replaced by a revised tariff. This decision is the result of a number of complaints. The port authority must govern itself according to the Decision. The Agency is empowered to hear complaints about port fees and determine if they are unjustly discriminatory, under the *Canada Marine Act*.

4. Regulations to Prevent Vessels from Discharging Sewage in the Bras D'or Lake

The Pleasure Craft Sewage Pollution Prevention Regulations to prevent the discharge of sewage by all recreational and commercial vessels operating in Bras d'Or Lake, Nova Scotia, were announced on July 6, 2006. The Regulations made pursuant to the Canada Shipping Act will further protect the aquatic species in the lake, as well as the health and safety of its users and will automatically also apply to commercial vessels under the Non-Pleasure Craft Sewage Pollution Prevention Regulations.

5. NRF and Global Insight: record TEU volumes shouldn't slow ports

According to the National Retail Federation and Global Insight, United States' major retail container ports are expected to see record cargo levels this summer and fall, but should be able to handle the added workload without congestion problems.

6. Port of Vancouver, Accumulated Container Traffic Report - Year to Date June 2006

Movement of containers through the Port of Vancouver indicate that total TEUs moved increased by 21% to 1,035,189 for the first two quarter of 2006 from 853,238 for the same period in 2005. The total TEUs include both full and empty containers. Imports increased by 27% and exports increased by 16%.

7. Canada talks underway for Vancouver superport

Last week, the chairmen of the ports of Vancouver, Fraser River and North Fraser met with the aim of creating a single megaport entity in western Canada. They have agreed on seeking a facilitator to help meld the interests of three hubs, including the Port of Vancouver, within the next two years. Behind the discussion was the intent of gaining a bigger

Water Transportation

Canada

1. Memorandum of Understanding Signed on Icebreaking Activities on the St. Lawrence Seaway, June 29, 2006, www.tc.gc.ca
2. Consultations Have Begun on Oil Spill Risk Assessment for South Coast of Newfoundland and Labrador, June 30, 2006, www.tc.gc.ca
3. Canadian Transportation Agency Finds Port of Nanaimo Passenger Fees Should Be Revised, June 30, 2006, www.cta-otc.gc.ca
4. Regulations to Prevent Vessels from Discharging Sewage in the Bras D'or Lake, July 6, 2006, www.tc.gc.ca
5. NRF and Global Insight: record TEU volumes shouldn't slow ports, July 11, 2006, www.americanshipper.com
6. Port of Vancouver, Accumulated Container Traffic Report - Year to Date June 2006, July 10, 2006, www.portvancouver.ca
7. Canada talks underway for Vancouver superport, July 17, 2006, www.joc.com
8. Conferring on conferences, *The Journal of Commerce*, July 3, 2006, pp. 24-25.

US/EU

1. Changing Course, *The Journal of Commerce*, July 10, 2006, pp. 12-15.

share of Asia trade. Port executives said that a unified port administrative authority would coordinate planning and operations, stop competition for purchases of ever-more-expensive land in the lower British Columbia, organize rail and road intermodal facilities, and pool resources.

8. Conferring on conferences

Ocean carriers are deep in discussions with European Competition authorities (DG Comp) over what will replace rate setting conferences. It appears that carriers will get some kind of system that will enable them to share information on capacity and demand despite strong objections by European shippers. DG Comp's executive director indicated that sharing information will not necessarily restrict competition. The process of repealing the EU regulation will take two phases. The first that of repeal which is expected at the end of this year or early next year. The second that of deciding what would replace the conference. With regard to the latter, DG Comp will issue a paper for consultation which will be followed by Guidelines for a replacement system.

RAIL TRANSPORTATION

1. Minister Cannon Issues Statement on CN Derailment in B.C.

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities on June 30, 2006 released a statement concerning the derailment of a CN freight train north of Lillooet, B.C. He offered his condolences to the families of the two CN employees killed in this tragic accident and indicated that Transport Canada is fully cooperating with the Transportation Safety Board.

2. CN announces new share re-purchase program, declares third-quarter 2006 dividend

CN announced on July 20, 2006 that its Board of Directors has authorized a normal course issuer bid to purchase for cancellation up to 28 million, or approximately 5.3 per cent, of the common shares outstanding of the Company not held by its insiders on July 10, 2006. The new repurchase program will start on July 25, 2006 and end no later than July 24, 2007.

3. CN reports record second-quarter 2006 financial results on the strength of solid top line growth

CN announced its second-quarter results on July 20, 2006. The highlights for the second quarter compared to the same period in 2005 were: net income of C\$729 million, up 75%; Operating income of C\$805 million, up 13%; operating ratio of 58.6 a decrease of 7.6 points from the previous quarter. CN's President and CEO indicated that its excellent financial performance during the quarter demonstrates the power and value of our precision railroading model

4. CN's Q2 gets tax boost

Canadian National Railway delivered a second-quarter net profit of \$729-million, up 75 per cent from a year earlier, due to a deferred income tax recovery, record high revenues and improved operating efficiency. The net income for the three months ended June 30 was \$1.35 per diluted share, including a deferred income tax recovery of \$250-million, or 46 cents per diluted share, largely attributable to lower corporate tax rates in Canada. CN's net income in the second quarter of 2005 was \$416-million, or 73 cents per diluted share.

5. Transport Canada Orders CN to Restrict Train Speeds under Certain Conditions in Ontario

A *Notice and Order* has been issued to CN restricting its train speeds in the Province of Ontario in continuous welded rail territory (non-jointed rail), where construction or significant maintenance of line work is being undertaken. Under these conditions, freight train speeds are restricted to 10 MPH and passenger train speeds to 30 MPH unless such work has been inspected by a qualified CN track supervisor and approved by the chief engineer for the area.

6. Canadian Pacific Railway produces solid second quarter results

On July 25, 2006 CPR reported that its second quarter net income was \$378 million, an increase of \$254 million over the same period in 2005. This increase included a \$176-million reduction in future income tax expense and a favourable swing in foreign exchange on long-term debt of \$58 million. The highlights for the second quarter of 2006 compared to the second quarter of 2005 were: operating ratio improved 0.4 percentage points to 75.1 per cent; revenue increased 2.3 per cent to \$1,131 million; operating expenses down 2 per cent, excluding the impact of higher fuel prices; and

Rail Transportation

Canada

1. Minister Cannon Issues Statement on CN Derailment in B.C., June 30, 2006, www.tc.gc.ca
2. CN announces new share re-purchase program, declares third-quarter 2006 dividend, July 20, 2006, www.cn.ca
3. CN reports record second-quarter 2006 financial results on the strength of solid top line growth, July 20, 2006, www.cn.ca
4. CN's Q2 gets tax boost, July 21, 2006, www.globeandmail.ca
5. Transport Canada Orders CN to Restrict Train Speeds under Certain Conditions in Ontario, July 24, 2006, www.tc.gc.ca
6. Canadian Pacific Railway produces solid second quarter results, July 25, 2006, www.cpr.ca
7. Railway Carloadings (May 2006), July 25, 2006, www.statcan.ca
8. More Railway Crossing Improvements Across Canada, July 25, 2006, www.tc.gc.ca
9. CPR chief pooh-poohs takeover rumours, July 26, 2006, www.globeandmail.ca
10. CPR Rail shrugs off slowdown, triples earnings, July 26, 2006, www.nationalpost.ca

US/EU

1. Union Pacific revenues soar, sees peak season 'challenge', July 21, 2006, www.joc.com

diluted earnings per share increased 15 per cent to \$1.00.

7. Railway Carloadings (May 2006)

In May 2006, Canada's railways recorded their strongest business activity in six years, supported by strong loadings of coal and iron ore. Railways carried 24.7 million metric tonnes in May 2006, slightly above the 24.3 million metric tonnes carried in May 2005. Loadings in May were up 3.2% from 24.0 million metric tonnes in April, rebounding from a 4.4% decline between March and April 2006. Loadings of coal and iron ore alone accounted for just under one-quarter of all the rail cars needed to handle the non-intermodal portion of goods.

8. More Railway Crossing Improvements Across Canada

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities announced on July 25, 2006 that the Government of Canada will provide more than \$11.4 million for 115 safety improvements at railway crossings across Canada to improve safety.

9. CPR chief pooh-poohs takeover rumours

Fred Green, Canadian Pacific Railway Ltd.'s, chief executive officer said on July 2006 that the best defence against any potential hostile suitor will be maintaining a streak of higher profit and lower operating costs. He indicated that he is aware of recurring rumours that Calgary-based CPR is a takeover target. Besides Union Pacific, Norfolk Southern Corp. of Norfolk, Va., is frequently mentioned as a possible bidder for CPR. Even if an unwelcome bidder emerges, there are high obstacles to clear in the form of regulatory approvals required from the U.S. Surface Transportation Board (STB). The STB requires that any merging parties prove to shippers that a combined entity would benefit rail customers. This is no easy task as shippers have always been wary of rail consolidation for fear of reduced service and increased freight charges.

10. CP Rail shrugs off slowdown, triples earnings

Canadian Pacific Railway Ltd. tripled its second quarter 2006 earnings, but said it has yet to see any evidence of an impending economic slowdown. CP Rail has seen its shares decline by nearly 20% recently due to shaky economic forecasts.

HIGHWAY TRANSPORTATION

1. Small for-hire motor carriers of freight and owner operators

In 2003, there were 44,400 firms active in the truck transportation industry. Of these 35,000 firms identified themselves as owner operators, 5,900 as small for-hire carriers (less than \$1 million in revenue), and 3,500 as for-hire carriers (above \$1 million in revenue). Small for-hire carriers generated total operating revenues of \$1.63 billion, for a \$273,000 per carrier average. Their operating expenses totalled \$1.52 billion or about \$255,000 per carrier.

2. Completion of Roadway Improvements in Prince Edward Island

The governments of Canada and Prince Edward Island announced on July 12, 2006, the completion of six jointly funded construction projects under the Strategic Highway Infrastructure Program (SHIP). The six projects funded through SHIP cover a variety of improvements to cover

safety, traffic flow and capacity to the National Highway System in PEI. the total value of highway construction component was \$11.6 million (\$5.8 million federal and \$5.5 million provincial).

3. Couriers and Messengers Services Price Index

The Couriers and Messengers Services Price Index, a monthly price index, decreased 0.2% in April 2006 to 117.5 (2003=100) and rose by 0.7% to 118.3 in May 2006. The courier portion changed by + 0.2% and -0.8%, respectively while the local messengers component was unchanged.

4. Construction Starts on Fast Lane

To improve the flow of goods at the Pacific Highway Border Crossing in Surrey, government officials announced that work has begun to extend the Highway 15 FAST truck lane. It will result in reduced: delays and queues for trucks, air pollution and noise levels to the benefit of all. Canada and the Province of British Columbia are sharing the cost of

Highway Transportation

Canada

1. Small for-hire motor carriers of freight and owner operators, *The Daily*, July 7, 2006, www.statcan.ca
2. Completion of Roadway Improvements in Prince Edward Island, July 12, 2006, www.tc.gc.ca
3. Couriers and Messengers Services Price Index, July 12, 2006, www.statcan.ca
4. Construction Starts on Fast Lane, July 18, 2006, www.tc.gc.ca
5. Canada court sides with Vancouver port in truck licensing dispute, July 20, 2006, www.americanshipper.com
6. Large urban transit, July 21, 2006, www.statcan.ca
7. More Highway Webcams Improve Information for Travellers, July 26, 2006, www.tc.gc.ca
8. Canadian Vehicle Enhancements to Be Made Through Agreements with Manufacturers, July 28, 2006, www.tc.gc.ca

project under the Strategic Highway Infrastructure Program.

5. Canada court sides with Vancouver port in truck licensing dispute

In a decision handed down on July 14, 2006, the Federal Court of Canada has sided with the Government of Canada and Vancouver Port Authority (VPA) on the validity of the Federal Cabinet ordering an end to last summer's container trucking dispute. The judgment also confirmed the VPA's authority to implement a trucker licensing system. The court held that it was permissible for the VPA to require trucking companies to sign on to a mediator agreement establishing rates paid to container truck drivers in the lower mainland.

6. Large urban transit - May 2006

Combined ridership on 10 large urban transit systems in Canada was 5% higher in May 2006 than it was in May 2005. Approximately 110.8 million passenger trips were taken on these transit systems. These systems account for about 80% of total urban transit in Canada. The trips generated \$169.2 million in revenue in May 2006 (excluding subsidies), a 3.7% increase over May 2005.

7. More Highway Webcams Improve Information for Travellers

Government officials announced on July 26, 2006 that the number of web cameras that offer live views of what is happening on provincial highways has more than doubled. This not only encourages innovation and creativity to solve current transportation challenges while providing quick, easy access to the information they need to travel but also indicates the governments commitment to ensure safety of the travelling public.

8. Canadian Vehicle Enhancements to Be Made Through Agreements with Manufacturers

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on July 28, 2006 the signing of three memoranda of understanding with 17 vehicle manufacturers. The agreements will advance the safety of Canadian vehicles by: updating the side impact protection requirements; improving compatibility between vehicles; and promoting the use of new technologies.

GENERAL

1. Government of Canada Announces Call for Applications for Transit-secure

The Minister of Transport, Infrastructure and Communities, announced on July 4, 2006 a call for applications for the first round of funding under Transit-Secure, the Government of Canada's \$80-million passenger rail and urban transit security contribution program. It is part of the \$1.4 billion national security funding that was committed in the recent Budget.

2. Government of Canada supports carriers in transportation

The Honourable Lawrence Canon, Minister of Transportation, Infrastructure and Communities announced on July 12, 2006, the official release of the Western Transportation Advisory Council's youth-oriented 'Careers in Transportation' website which was funded through two contribution agreements with Transport Canada. Through these two agreements, transport Canada has provided a total of \$120, 000.

3. Accelerate your future with Transpoville. WESTAC is active with Canada's Youth

The Western Transport Advisory Council is excited to announce the release of Transpoville.ca The website is designed for Canadian youth and highlights a variety of high paying jobs in today's transportation industry.

4. Canada falls off top 10 travel list

Canada has fallen off the top 10 list for international travel for the first time in 12 years. It was ranked 11th in international tourist arrivals in 2004, after being placed as high as fifth during the World Exposition in Vancouver, according to Statistics Canada. In 2003, it was ranked in 10th place. The Statscan report shows that global tourism suffered in 2003 due to SARS, the war in Iraq and softer economic growth. The biggest travel drop-off to Canada in 2004 was by Americans.

5. Travel between Canada and other countries

Travel to Canada and Canadians travelling to other countries declined in May 2006. Residents of the United States made an estimated 1.2 million same-day car trips in May 2006, down 3.2% from April and the lowest level since record-keeping started in January 1972. Same-day car travel from the United States has declined 12.9% during the last 12 months. Visitors from other countries to Canada increased by 2.1% to 387, 000 in May 2006 from April, its third

Current Developments in Brief

General **CANADA**

1. Government of Canada Announces Call for Applications for Transit-secure, July 4, 2006, www.tc.gc.ca
2. Government of Canada supports carriers in transportation, July 12, 2006, www.tc.gc.ca
3. Accelerate your future with Transpoville. WESTAC is active with Canada's Youth, July 12, 2006, www.westac.com
4. Canada falls off top 10 travel list, July 17, 2006, www.globeandmail.ca
5. Travel between Canada and other countries, *The Daily*, July 19, 2006, www.statcan.ca
6. New Security Requirements for Commercial Drivers Licensed in Canada - Drivers hauling dangerous goods (including explosives) into the United States, July 25, 2006, www.tc.gc.ca

highest level in over five years. Visitors from the most important other countries were U.K., Japan, France and Germany
6. New Security Requirements for Commercial Drivers Licensed in Canada - Drivers hauling dangerous goods (including explosives) into the United States

On July 25, 2006, the U.S. Department of Homeland Security announced its intention to issue regulations requiring drivers licensed in Canada who haul dangerous goods into the United States to have a valid FAST card as of August 10, 2006.

Conferences

1. National Trucking Week 2006 will take place from September 17 - 23, 2006.
2. Financing Aviation Infrastructure, October 17, 2006, Hilton Toronto Airport.