

Transportation Information Update*

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September 2007, No. 37

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1. Minister Cannon Announces Outcome of the Canadian Air Transport Security Authority Act Review

On September 4, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced the first round of decisions to strengthen aviation security, resulting from the Canadian Air Transport Security Authority (CATSA) Act review. The following major decisions were announced: 1) Responsibility for aviation security will continue to rest with the Minister of Transport, Infrastructure and Communities; 2) CATSA will continue as a Crown Corporation; 3) CATSA's activities will be focussed on its core aviation security-screening role; 4) Administration of the Canadian Air Carrier Protective Program, will be transferred to the RCMP as of April 1, 2008; 5) The Airport Policing Contribution Program will be transferred to Transport Canada as of April 1, 2008; and 6) CATSA will retain responsibility for the Restricted Area Identity Card Program while Transport Canada will remain responsible for defining the requirements of the program.

2. Canada's Airports Applaud Minister's Direction for the Future of CATSA
The Canadian Airports Council (CAC) applauded the government's decision to 'stay the course' for the CATSA largely adopting recommendations made by CAC.

3. WestJet Invites Eastern Triangle Travellers Onboard

On September 5, 2007, WestJet announced a one-day \$17 fare for guests travelling from Toronto to Ottawa or Montreal, the eastern triangle. This fare is only available for purchase on September 5, 2007 for travel until December 15, 2007. From September 5 until September 10, 2007, WestJet will also offer guests \$49 sale fares for travel until December 15, 2007, between Toronto and Ottawa, and Toronto and Montreal, allowing guests another opportunity to book low fares for travel. It is also offering \$99 fares for flights from Ottawa to Orlando and Tampa, Montreal to Orlando, and Toronto to West Palm Beach and Fort Myers (same dates of sale and travel as above).

4. WestJet Announces Completion of FAA Airworthiness Directive

WestJet announced it has completed the Airworthiness Directive issued by the Federal Aviation Authority (AD 2007-18-52) as of September 4, 2007.

5. WestJet Reports Highest Load Factor in 11-Year History

WestJet announced on August 6, 2007, its highest load factor in its history. Its traffic for August 2007 featured a record load factor to 88%, compared with 84.5% in August 2006. Revenue passenger miles (RPMs) and available seat miles (ASMs) for August 2007 increased by 20% and 15% over August 2006, respectively. Sean Durfy WestJet's president said "WestJet is delivering these results through our continued schedule improvements and the exceptional guest experience provided by our WestJetters."

6. Air Canada reports August traffic

Air Canada reported a load factor of 84.4 percent for August 2007, the same as that recorded in August 2006. The main line carrier flew 3.9 percent more revenue passenger miles (RPMs) in August 2007 than in August 2006. Air Canada's capacity increased by 3.9 percent for August 2007. Jazz's capacity for August 2007 increased

Current Developments in Brief

Air Transportation

CANADA

1. Minister Cannon Announces Outcome of the Canadian Air Transport Security Authority Act Review, September 4, 2007, www.tc.gc.ca
2. Canada's Airports Applaud Minister's Direction for the Future of CATSA, September 4, 2007, www.cacairports.ca
3. WestJet Invites Eastern Triangle Travellers Onboard, September 5, 2007, www.westjet.com
4. WestJet Announces Completion of FAA Airworthiness Directive, September 5, 2007, www.westjet.com
5. WestJet Reports Highest Load Factor in 11-Year History, September 7, 2007, www.westjet.ca
6. Air Canada reports August traffic, September 6, 2007, www.aircanada.ca
7. Airlines gird for Central Canadian battle, September 6, 2007, www.globeandmail.ca
8. Canada Reaches Blue Sky Agreement with New Zealand, September 7, 2007, www.tc.gc.ca
9. Canada's New Government Finalizes First-ever Air Agreement with Jordan, September 7, 2007, www.tc.gc.ca
10. Amendments to the Canada Transportation Act (Bill C-11) Affecting Domestic Air Transportation, September 13, 2007, www.cta-otc.gc.ca
11. Extension of Exemption and Review of ID Requirements for Air Travellers under 18, September 14, 2007, www.tc.gc.ca
12. IATA More Optimistic for 2007, September 17, 2007, www.iata.org
13. McGill Conference - Aviation Security and Environment by Giovanni Bisignani, September 15, 2007, www.iata.org
14. Last chance for governments to get it right on environment - IATA urges ICAO global leadership on three key issues, September 17, 2007, www.iata.org
15. WestJet Launches Web Check In for Transborder and International Flights, September 18, 2007, www.westjet.ca
16. Aircraft movement statistics, [July Preliminary], September 20, 2007, www.cta-otc.gc.ca
17. WestJet Introduces the WestJet Travel Pass to Edmonton and Calgary Travellers, September 19, 2007, www.westjet.com
18. Air Canada introduces Flight Pass to Hong Kong and China with savings of up to 40%; Plus special introductory bonus flights, September 20, 2007, www.aircanada.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.

by 4.1 per cent, resulting in a load factor of 73.3 percent, compared to 75.2 percent in August 2006; an increase of 2.1 percentage points. On a combined basis (Air Canada and Jazz), system traffic rose 4.1 per cent on a capacity increase of 3.9 percent, resulting in a load factor of 83.8 percent for August 2007, the second highest recorded in its history. International traffic (RPMs) increased by 4.9% for the same period.

7. Airlines gird for Central Canadian battle

Robert Deluce, president of Toronto-based Porter Airlines Inc., lashed out at *WestJet Airlines Ltd.* and *Air Canada*, accusing them of unfairly slashing ticket prices in the busy Eastern Triangle of Toronto, Ottawa and Montreal. The fares are 38 percent cheaper for consumers than the regular price. Mr. Deluce said the two larger rivals chopped airfares along the three-city corridor this week because they sense that the newcomer is stealing away business travellers. The rivals denied that the pricing was aimed at Porter airlines. While it was Air Canada that was the more aggressive airline in reducing prices in the past, this time it was WestJet. Mr. Deluce said he has no plans to lodge a pricing complaint with the Competition Bureau but will monitor its rivals. He said Porter's revenue has grown by an average of 20 per cent every month since its launch 11 months ago. The carrier's net profit margin in June 2007 was 8 per cent, representing profit as a percentage of revenue.

8. Canada Reaches Blue Sky Agreement with New Zealand

An Open Skies air transport agreement between Canada and New Zealand was announced on September 7, 2007 by the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, and the Honourable David Emerson, Minister of International Trade. The new agreement allows any number of air carriers from either country to operate passenger and all-cargo scheduled air services as frequently as desired, to and from any point in either country's territory. Air carriers will also be able to pick up traffic in each other's territory and continue to a third country as part of a service to or from their home territory.

9. Canada's New Government Finalizes First-ever Air Agreement with Jordan

On September 7, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, and the Honourable David Emerson, Minister of International Trade, announced Canada's first air transport agreement with the Hashemite Kingdom of Jordan for scheduled air service. The new agreement will provide more choices for travellers, shippers, air carriers and airports.

10. Amendments to the Canada Transportation Act (Bill C-11) Affecting Domestic Air Transportation

The Canadian Transportation Agency has provided a bulletin on the legislative changes to Part II of the *Canada Transportation Act* (Air Transportation) to assist domestic air carriers to assess the impact of the changes on their operation. The amendments in Bill C-11 received Royal Assent on June 22, 2007. The amendments were on: discontinuance or reduction of service (s. 64(1.2)) and (s.65a); pricing (s. 66); public disclosure of terms and conditions of service (s. 67(1)(a) and (67(1)(a.1)); confidential contracts (s. 68); complaints (s. 67.1); air travel complaints (s. 85.1); and air price advertising (s. 86.1)(1).

11. Extension of Exemption and Review of ID Requirements for Air Travellers under 18

On September 14, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, stated that the exemption to the Passenger Protect program announced in June 18, 2007 will be modified and extended to March 31, 2008, pending regulatory consultations on identification (ID) requirements for air travellers under the age of 18.

12. IATA More Optimistic for 2007

On September 17, 2007, the International Air Transport Association (IATA) announced a revised financial forecast for the world's airlines. Globally, airlines are expected to post a US\$5.6 billion net profit for 2007, up from the US\$5.1 billion forecast in June. The stronger than expected demand for passenger traffic resulted in a general improvement in airline financial performance despite the increase in the price of oil.

13. McGill Conference - Aviation Security and Environment by Giovanni Bisignani

The top three agenda items for the Assembly addressed by Giovanni Bisignani at the McGill Conference were: safety, security and the environment. Regarding safety, he indicated that we are expanding on the success of IOSA (IATA Operational Safety Audit) and are launching ISAGO (IATA Safety Audit for Ground Operations) to improve safety amongst ground handlers. Regarding security, he indicated that the industry is spreading global best practice with Security Management Systems that complement ICAO's security programme. Regarding environment, which tops the

19. Air Canada introduces paperless boarding pass for mobile check-in users, September 20, 2007, www.aircanada.ca
20. WestJet Designated to Operate Scheduled Air Services to St. Lucia, September 24, 2007, www.tc.gc.ca
21. Dollar Parity Highlights Competitive Challenges for Canada's Airports, September 24, 2007, www.cacairports.ca
22. Air Transat Designated to Offer Scheduled Air Services to Switzerland, September 27, 2007, www.tc.gc.ca
23. WestJet Celebrates Its Fleet of Boeing 737s, September 27, www.westjet.com

US

1. Airline On-Time Performance in [the USA] July Better Than June But Slips From Previous Year, September 4, 2007, www.dot.gov
2. BTS Releases June 2007 Airline Traffic Data; Six-Month 2007 System Passenger Traffic Up 2.7 Percent From 2006, September 13, 2007, www.dot.gov
3. BTS Releases Second-Quarter 2007 System Airline Financial Data; Passenger Airlines Report Most Profitable Quarter Since 2000, September 17, 2007, www.dot.gov
4. BTS Releases July Passenger Airline Employment Data; July 2007 Employment Up 2.6 Percent from July 2006, September 18, 2007, www.dot.gov

political agenda, he indicated that members have agreed to a four point strategy to: invest in new technology; build and use efficient infrastructure; operate planes effectively; and look at economic measures. Some of the potential building blocks for a carbon-free future are here: fuel cells; solar powered aircraft; and bio-fuels. He envisages targets working in three core areas: Infrastructure Efficiency; Technology; and Economic Measures.

14. Last chance for governments to get it right on environment - IATA urges ICAO global leadership on three key issues

The International Air Transport Association (IATA), urged governments to show leadership in three critical areas for aviation: safety, security and the environment. Airlines account for 2% of global CO2 emissions. To eliminate pollution, G. Bisignani, Director General and CEO of IATA, challenged ICAO's member states to set targets aimed at saving 120 million tonnes of carbon emissions annually through more efficient infrastructure and better operations. He indicated that failure to agree to a global way forward on emissions trading will certainly lead to legal battles between Europe and the rest of the world.

15. WestJet Launches Web Check In for Transborder and International Flights

On September 18, 2007, Westjet launched Web check in for guests flying to and from scheduled transborder (U.S.) and international destinations. Now guests travelling to any WestJet destination can check in online any time from 24 hours up to one hour before their flight.

16. Aircraft movement statistics

The 42 Canadian airports with NAV CANADA air traffic control towers reported 465,138 aircraft take-offs and landings in August 2007, up 5.6% compared with August 2006 (440,333 movements). This marked the 15th month-to-month consecutive increase. Year-over-year increases in aircraft movements were reported by 32 of these airports in August 2007.

17. WestJet Introduces the WestJet Travel Pass to Edmonton and Calgary Travellers

On September 19, 2007, WestJet announced the availability of its Travel Pass to frequent business travellers between Edmonton and Calgary. The Pass offers 10 transferable, one-way flights from Edmonton or Calgary for \$999 (before taxes and fees) for travel until April 30, 2008. It allows guests to transfer the passes between colleagues, friends and family members.

18. Air Canada introduces Flight Pass to Hong Kong and China with savings of up to 40%; Plus special introductory bonus flights

On September 20, 2007 Air Canada introduced a multi-trip Flight Pass to Hong Kong and China, expanding the reach of its popular Flight Passes for the first time to Asia. Its customers will now be able to save up to 40 per cent off regular economy fares by pre-purchasing six one way trips (three round trips) valid up to one year for travel to Hong Kong, Beijing and Shanghai, from anywhere Air Canada and Jazz fly in Canada.

19. Air Canada introduces paperless boarding pass for mobile check-in users

On September 21, 2007, Air Canada introduced paperless boarding passes for its customers who check in using their PDA (personal digital assistant such as Blackberry or Treo) or cell phone. It offer customers the option of receiving an electronic boarding pass in the form of SMS text messages that the customer simply shows to airport security screening personnel and Air Canada gate agents, in lieu of a paper boarding pass. It is available for boarding domestic Canada flights and departures to international (non-U.S.) destinations, including connecting flights, from 60 airports.

20. Westjet Designated to Operate Scheduled Air Services to St. Lucia

On September 24, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, today announced the designation of WestJet to operate scheduled international air services between Canada and St. Lucia.

21. Dollar Parity Highlights Competitive Challenges for Canada's Airports

The Canadian Airports Council said that parity of the Canadian dollar with the American dollar serves to highlight the competitive challenges hurting Canadian airports. This has become apparent as a result of competition from smaller airports across the border. It therefore called on the Canadian government to: change rent policy; provide more liberalized air services agreements; eliminate travellers security charges; terminate charging some airports for custom services; and eliminate of other tax policies which force costs to be passed on to passengers.

22. Air Transat Designated to Offer Scheduled Air Services to Switzerland

On September 27, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced the designation of Air Transat to operate scheduled international air services between Canada and Switzerland. The designation of Air Transat to provide services will increase scheduled air services.

23. WestJet Celebrates Its Fleet of Boeing 737s

On September 27, 2007, in celebration of their fleet of 68 Next-Generation Boeing 737s, WestJet announced a one-day \$37 fare for guests travelling between Calgary or Edmonton to Vancouver or Abbotsford. This fare is only available for purchase on, September 27, 2007 for travel until December 15, 2007.

WATER TRANSPORTATION

1. Prince Rupert to open new container terminal

The new Fairview Container Terminal in Prince Rupert, British Columbia, will celebrate its official opening on September 12, 2007. It will have a capacity of 500,000 TEUs and will be operated by Maher Terminals of New Jersey. Plans for another terminal to be built (2013 and 2016) will raise capacity to more than 4 million TEUs. Canadian National signed Cosco Container Lines as the terminal's first customer.

2. Canadian National ready for Prince Rupert traffic

The Fairview Container terminal at the Port of Prince Rupert was opened on September 12, 2007 and CN indicated that it would help the carrier avoid the costly problems incurred last year. The C\$170 million dedicated intermodal terminal was developed by the Prince Rupert Port Authority, CN and Maher Terminals of New Jersey. It is the closest West Coast port to Japan and Northern China and will funnel container traffic to the U.S. heartland via Chicago and Memphis. Canadian National is building a new terminal in Memphis (for Prince Rupert, Vancouver and Halifax traffic) and a logistics park in Chicago.

3. Seaway traffic slumps

The Canada's St. Lawrence Seaway Management Corp. on September 11, 2007 indicated that cargo traffic on the St. Lawrence Seaway is unlikely to reach the volume achieved in 2006. Cargo volume from March 21 through Aug. 31 came to 23.6 million tons, down 14.1 percent from 27.5 million tons in the same period a year ago.

4. Port of Vancouver, Accumulated Traffic Report [August 2007]

The Port of Vancouver released its accumulated container traffic report for August 2007. Total year-to-date traffic was 1,492,738 TEUs for August 2007, an increase of 4% over August 2006. Year-to-date imports (TEUs) increased by 6% and exports increased by 2%.

5. Port of Vancouver, Accumulated Cruise Traffic Report [August 2007]

The Port of Vancouver released its accumulated cruise traffic report for August 2007. Total year-to-date cruise traffic was 769,757 passengers for August an increase of 16% over August 2006. For the month of August 2007, cruise traffic was 201,277 passengers, a 19.5% increase over August 2006.

6. December 15 Security Clearance Deadline for Port Workers

On September 13, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced that starting on December 15, 2007, security clearances will be required by workers at the ports of Montreal, Halifax, Vancouver, Fraser River, and North Fraser River, as well as the control centers of the St. Lawrence Seaway Management Corporation.

7. Vancouver ports schedule January 1 merger

The merging of Canada's three Vancouver-area ports into a single operating entity is expected to be completed by the beginning of the coming New Year. The merger would involve the Port of Vancouver, the Fraser River Port, and the North Fraser River Port. The merger is expected to create efficiencies in operations and a single decision-maker for future investments.

8. CKYH Alliance adds Prince Rupert to PNW service

Water Transportation

Canada

1. Prince Rupert to open new container terminal, September 10, 2007, www.joc.com
2. Canadian National ready for Prince Rupert traffic, September 13, 2007, www.joc.com
3. Seaway traffic slumps, September 11, 2007, www.joc.com
4. Port of Vancouver, Accumulated Traffic Report [August 2007], September 12, 2007, www.portvancouver.com
5. Port of Vancouver, Accumulated Traffic Report [August 2007], September 12, 2007, www.portvancouver.com
6. December 15 Security Clearance Deadline for Port Workers, September 13, 2007, www.tc.gc.ca
7. Vancouver ports schedule January 1 merger, September 19, 2007, www.joc.com
8. CKYH Alliance adds Prince Rupert to PNW service, September 21, 2007, www.americanshipper.com
9. West Coast imports weaken, September 24, 2007, www.joc.com
10. Port of Halifax (Year to End - 2nd Quarter 2007), September 26, 2007, www.portofhalifax.ca

US

1. Port Tracker forecasts congestion-free October, September 7, 2007, www.joc.com
2. Ports gave U.S. economy \$2-trillion push in 2006, September 7, 2007, www.joc.com
3. Antitrust: Commission adopts draft Guidelines in the maritime transport sector, September 14, 2007, www.europa.eu
4. ESC responds to EC's liner competition guidelines, September 21, 2007, www.joc.com

The CKYH ocean carrier alliance, comprising COSCO Container Lines, “K” Line, Yang Ming and Hanjin Shipping, said on September 19, 2007 that it is adding Prince Rupert, British Columbia, Canada to the South loop section of their Pacific North West service.

9. West Coast imports weaken

Container volumes at most West Coast ports dropped inexplicably in August 2007. Containerized imports in Los Angeles and Long Beach decreased 7.7 and 6.1 percent in August 2007 compared to August 2006. Other West Coast ports such as Oakland, Seattle and Tacoma also experienced declines of 3.1, 3.5 and 2.6 percent. Containerized exports on the other hand increased by: 15.2 percent in Los Angeles, 34.3 percent in Long Beach, 8.6 percent in Oakland, 6.3 percent in Seattle, 27.9 percent in Tacoma and 19.8 percent in Portland.

10. Port of Halifax (Year to End - 2nd Quarter 2007)

The Port of Halifax released statistics for the first six months of 2007. Total container cargo (TEUs) declined 6.7% for the first six months of 2007 to 241,421 compared to the first six months of 2006 of 258,804. The decline was even more pronounced for all cargo (i.e., bulk, container, breakbulk and ro-ro) for the first six months. Total metric tonnes of all cargo fell 12%.

RAIL TRANSPORTATION

1. Go Train Service to Improve with New Don Yard Midday Storage Facility

Canada's New Government, the Government of Ontario and GO Transit announced on August 31, 2007 the completion of construction on a midday train storage facility just east of Union Station. It will ease traffic congestion and reduce commute times for the people of southern Ontario.

2. Canadian Pacific announces agreement to acquire DM&E Railroad

Canadian Pacific Railway Limited announced on September 4, 2007 that it has reached an agreement to acquire Dakota, Minnesota & Eastern Railroad Corporation (DM&E) and its subsidiaries for US\$1.48 billion. With this value-enhancing transaction, CP expands its current network by approximately 2,500 miles and increases its access to U.S. Midwest markets including agri-products, coal and ethanol.

3. CP Rail to buy largest U.S. regional railway

Canadian Pacific Railway Ltd. said it planned to buy the Dakota, Minnesota & Eastern Railroad Corp to expand its network and increase its access to U.S. Midwest markets. DM&E is the largest U.S. regional railway, serving eight states. The deal will close in the next 30 to 60 days.

4. CP Challenges Rail giants

CP's acquisition of DM&E is expected to attract the attention of the two giant railway duopolists, Union Pacific Corporation and Burlington Northern Santa Fe Corp., who provide service in Wyoming's Powder River Basin. According to one analyst, opposition to the transaction is expected by the lodge of complaints with federal regulators and, failing that, by the use of aggressive tactics like re-signing coal customers to long-term shipping deals before CP has a chance to become operational in the region. While it is expected that the duopolists would lose the regulatory fight they nevertheless would succeed in buying a delay of up to a year.

5. TCRC-RTE and Canadian Pacific reach tentative contract agreement for train operations employees

The Teamsters Canada Rail Conference, representing 4,500 locomotive engineers and conductors, and Canadian Pacific reached a tentative five-year contract settlement.

6. Canada's New Government Funds Another Round of Transit-secure Projects

Rail Transportation

Canada

1. Go Train Service to Improve with New Don Yard Midday Storage Facility, August 31, 2007, www.tc.gc.ca
2. Canadian Pacific announces agreement to acquire DM&E Railroad, September 4, 2007, www.cpr.ca
3. CP Rail to buy largest U.S. regional railway, September 5, 2007, www.globeandmail.ca
4. CP Challenges Rail giants, September 6, 2007, www.nationalpost.ca
5. TCRC-RTE and Canadian Pacific reach tentative contract agreement for train operations employees, September 4, 2007, www.cpr.ca
6. Canada's New Government Funds Another Round of Transit-secure Projects, September 5, 2007, www.tc.gc.ca
7. Savy investors aim to ride rails to riches, September 10, 2007, www.nationalpost.ca
8. CN and Homburg Invest Inc. reach agreement on sale of Central Station Complex in Montreal, September 19, 2007, www.cn.ca
9. CN announces US\$550 million debt offering, September 19, 2007, www.cn.ca
10. CN to buy back through private agreements up to five million common shares under its current 33-million share repurchase program, September 21, 2007, www.cn.ca
11. US senate passes railroad exemption bill, September 21, 2007, www.globalcompetitionreview.com
12. Canadian National to buy Chicago rail line, September 26, 2007, www.joc.com
13. CN to acquire key operations of Elgin, Joliet and Eastern Railway for US\$300 million, September 26, 2007, www.cn.ca
14. Railway carloadings [July 2007], September 26, 2007, www.statcan.ca

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on September 5, 2007 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. Under this round: eight operators in Quebec will receive up to \$5,717,603; four operators in Ontario will receive up to \$11,850,677; one operator in Saskatchewan will receive up to \$37,500; and one operator in Alberta will receive up to \$2,174,306.

7. Savy investors aim to ride rails to riches

Some investors are buying railway stocks despite the fact that the industry is in a downturn. The reason is because of the long-term potential. In a downturn, railroads usually cut capital expenditures but this year (2007) they plan to invest a record \$9.4 billion, one billion more than last year. For example, CPR decided to suspend its 10% share buyback program and decided to purchase Dakota, Minnesota and Eastern. Further, they believe that the downturn is temporary and global trade will cushion the downturn.

8. CN and Homburg Invest Inc. reach agreement on sale of Central Station Complex in Montreal

On September 19, 2007, CN announced that they have reached an agreement under which Homburg Invest will purchase the Central Station Complex (CSC) in Montreal and CN will leaseback its corporate headquarters building and Central Station railway passenger facilities. The sale will generate proceeds of C\$355 million for CN.

9. CN announces US\$550 million debt offering

On September 19, 2007, CN announced the terms of a US\$550 million debt offering of US\$250 million 5.85 per cent Notes due 2017, and US\$300 million 6.375 per cent Debentures due 2037. The debt offering is being made in the United States under the shelf registration statement CN filed on May 9, 2006.

10. CN to buy back through private agreements up to five million common shares under its current 33-million share repurchase program

CN announced on September 21, 2007 that it intends to purchase for cancellation up to five million of its common shares outstanding, or approximately one per cent of its common shares outstanding at Sept. 20, 2007, pursuant to private agreements between CN and an arm's-length third-party seller. The purchase(s) will form part of CN's 33-million share repurchase program announced on July 23, 2007.

11. US senate passes railroad exemption bill

The US Senate Judiciary Committee has passed the Railroad Antitrust Enforcement Act 2007 that would repeal antitrust exemptions for freight railroads. This bill aims to boost competition and increase fairness in the railroad industry. This bill will bring scrutiny to freight railroads and encourage competition in this highly consolidated industry. Freight industries have been protected from competition unlike other industries. If the bill becomes law, both the US Departments of Justice and the Federal Trade Commission would be permitted to review railroad mergers, and allow parties to sue for treble damages and seek court orders to prohibit anti-competitive behaviour. There is a good chance the bill will become law.

12. Canadian National to buy Chicago rail line

Canadian National Railway Co. has reached an agreement to buy the major portion of the Elgin, Joliet and Eastern Railway Co. (EJ&E), a Class 2 railway, from U.S. Steel for US\$300 million. EJ&E operates over 198 main line miles of track encircling Chicago from Waukegan, Ill., on the north, to Joliet, Ill., on the west, to Gary, Ind., on the southeast, and then to South Chicago. The acquisition is expected to improve the fluidity of CN's rail operations in the Chicago region, providing faster transit times and more reliable service. It has yet to be approved by the Surface Transportation Board.

13. CN to acquire key operations of Elgin, Joliet and Eastern Railway for US\$300 million

CN President and Chief Executive Officer E. Hunter Harrison said: "This acquisition is good news for railroading in Chicago. Chicago is essential to CN's rail operations, yet it presents us with major operational challenges. This transaction will improve rail operations on the CN system and the rest of the Chicago rail network by moving CN trains out of the urban core to EJ&E lines on the outskirts of the Chicago metropolitan area. ... "This acquisition not only will give CN an opportunity to expand its service to the North American steel industry, but also will drive new efficiencies and operating improvements on CN's network. Streamlined rail operations and reduced congestion resulting from this acquisition will benefit current CN and EJ&E customers, the City of Chicago, nearby communities, and the overall rail network in the region."

14. Railway carloadings [July 2007]

Canadian railways carried 24.6 million metric tonnes of freight in July 2007, up from the 24.1 million metric tonnes reported in June 2007. The carloadings in July was the highest for the month since 2004. The intermodal portion, consisting of containers and trailers loaded on flat cars, increased 2.4% in July to 2.5 million metric tonnes.

HIGHWAY TRANSPORTATION

1. Anti-theft Devices Deter Vehicle Thieves

On September 6, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced a regulation that requires all new cars, vans, light trucks and SUVs to come equipped with electronic, anti-theft immobilizers. This amendment to the Motor Vehicle Safety Regulations came into effect on Sep. 1, 2007.

2. Canada's New Government and the Province of Ontario Continue to Improve Highway 401 in Essex County

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, along with Donna Cansfield, Ontario Minister of Transportation, announced on September 6, 2007, the start of construction on phase four of a five-phase project to widen Highway 401 near Windsor. Together, the five phases will widen 46 kilometres of Highway 401 to six lanes from Windsor easterly to Tilbury, in Essex County. The Government of Canada and the Province of Ontario are investing a combined total of \$325 million to improve the 46 kilometres.

3. Construction Begins on the Highway 5 Extension in the Outaouais Region

On September 7, 2007, government officials announced the beginning of construction of the Highway 5 extension in the Outaouais Region. The cost of building the 2.5-km segment has been estimated by Transports Québec at \$27 million and will be shared equally by the federal and provincial governments.

4. For-hire motor carriers of freight, top carriers [Second Quarter]

The top 97 for-hire motor carriers of freight (Canadian-based trucking companies earning \$25 million or more annually) generated operating revenues of \$2.5 billion and operating expenses of \$2.4 billion in the second quarter. Average per-carrier revenues and expenses decreased slightly from the second quarter of 2006. Per-carrier revenues decreased 1.3% to \$26.0 million and per-carrier expenses declined 0.5% to \$24.5 million. The top for-hire carriers' operating ratio was 0.94, similar to that of the second quarter of 2006.

5. Driver Shortage Escalating, says CTHRC Research

According to a press release issued by the Canadian Trucking Human Resources Council (CTHRC), on September 7, 2007, new studies conducted on their behalf have identified an escalating shortage of qualified commercial truck drivers across Canada.

6. EU investigates Deutsche Post subsidies

European Union regulators are investigating claims that Deutsche Post, the German mail and logistics group, illegally used state subsidies to protect its parcel-delivery business from competition from private firms. The commission said it would scrutinize all state aid given to the former state-owned postal monopoly since 1989.

7. Delivering a new Canada Post

This article indicates that Canada Post's sorting infrastructure in Ottawa has aged as a result of under investment and neglect and that significant capital investment is needed. It also raises the question as to whether privatization is the answer to this problem. Some countries have adopted full or partial privatization. While some groups (such as the Canadian Union of Postal Workers) are opposed to privatization, Canada Post's chief executive believes that it is a compelling option and that there are lots of companies where shares are held publicly. To date, the Chief Executive indicates that no one in the government has asked for her opinion on privatization.

8. Large urban transit [July Preliminary]

Combined ridership on 10 large urban transit systems in Canada was 5.6% higher in July 2007 compared to July 2006. Approximately 103.2 million passenger trips were taken in that month accounting for about 80% of total urban transit in Canada. The trips generated \$178.1 million in revenue in July (excluding subsidies), an 8.5% increase over July 2006.

Highway Transportation

Canada

1. Anti-theft Devices Deter Vehicle Thieves, September 6, 2007, www.tc.gc.ca
2. Canada's New Government and the Province of Ontario Continue to Improve Highway 401 in Essex County, September 6, 2007, www.tc.gc.ca
3. Construction Begins on the Highway 5 Extension in the Outaouais Region, September 7, 2007, www.tc.gc.ca
4. For-hire motor carriers of freight, top carriers, September 7, 2007, www.statcan.ca
5. Driver Shortage Escalating, says CTHRC Research, September 13, 2007, www.cantruck.ca
6. EU investigates Deutsche Post subsidies, September 13, 2007, www.joc.com
7. Delivering a new Canada Post, *Financial Post*, September 17, 2007, pp. FP1/FP3.
8. Large urban transit [July Preliminary], September 20, 2007, www.cta-otc.gc.ca
9. Buckle Up Ontario And Save A Life, September 21, 2007, www.mto.gov.on.ca
10. Couriers and Messengers Services Price Index [August 2007], September 27, 2007, www.statcan.ca
11. Trucking Alliance Urges MPs to Vote Against Latest Anti-Replacement Worker Bill, September 26, 2007, www.cantruck.ca

US

1. BTS Releases Freight Transportation Services Index (TSI); Freight Index Fell 0.4 Percent in July from June, September 12, 2007, www.dot.gov
2. Truck crisis looms for Southern California ports, September 26, 2007, www.joc.com
3. BTS Releases North American Surface Trade Numbers for July; July Surface Trade with Canada and Mexico Rose 10.5 Percent from July 2006, September 27, 2007, www.dot.gov

9. Buckle Up Ontario And Save A Life

On September 21, 2007, the Ministry of Transportation, along with the Seat Belt Committee of Ontario, the Ontario Provincial Police and police services across the province, launched the Fall Seatbelt Campaign. The campaign reminds all drivers and passengers to buckle up. Eight per cent of Ontarians, or close to one million people, do not wear a seatbelt. A one per cent increase in seatbelt use saves five lives. Everyone riding in a car, van or truck is required to wear a seatbelt. Fines are imposed for failure to comply.

10. Couriers and Messengers Services Price Index [August 2007]

The Couriers and Messengers Services Price Index decreased 0.2% to 125.5 (2003=100) in August 2007. The courier portion fell 0.1% on a monthly basis, while the local messengers component edged down 0.2%.

11. Trucking Alliance Urges MPs to Vote Against Latest Anti-Replacement Worker Bill

The Canadian Trucking Alliance is launching its second campaign of 2007 aimed at the defeat of proposed legislation to ban replacement workers in federally regulated organizations. The CTA holds that Bill C-415 would prevent the use of any replacement worker except for management, supervisory or labour relations personnel. The bill would also prohibit the services of contractors such as owner-operators. In the CTA's view, federal anti-replacement worker legislation could disrupt the labour relations balance in the trucking industry.

Other Transportation

1. Study: Government revenue attributable to tourism

Tourism generated an estimated \$19.4 billion in revenue for all three levels of government (federal, provincial and municipal) in Canada in 2006, up from just over \$15.0 billion in 2000. GST and provincial sales taxes comprise the largest source of revenue.

Other Transportation

1. Study: Government revenue attributable to tourism, September 11, 2007, www.statcan.ca
2. Accessible Transportation Bulletin to Transportation Service Providers, September 20, 2007, www.cta-otc.gc.ca
3. Travel between Canada and other countries, September 20, 2007, www.statcan.ca

2. Accessible Transportation Bulletin to Transportation Service Providers

The Canadian Transportation Agency has released a bulletin which contains important information for transportation service providers who are subject to the codes of practice and regulations.

3. Travel between Canada and other countries

Overnight travel from the United States to Canada fell to its lowest level in over four years in July 2007. Travel from countries other than the United States also fell but to a lesser extent from June 2007. Travel to the United States showed a slight increase from June 2007. Travel to overseas countries remained stable in July.

4. New Buy America Act Regulatory Changes

The expected final rules on regulatory changes to the U.S. *Buy America Act* will take effect as of October 22, 2007. The *Buy America Act* continues to place procurement restrictions on recipients of U.S. Federal Transit Authority (FTA) grant funding, with the requirement that the items being procured with grant funding must be between sixty and one hundred percent of U.S. origin, with final assembly done in the U.S. Moderate regulatory changes have been approved which may impact Canadian suppliers of transit-related goods to U.S. transit authorities. The new definition of *end products* could have a marginally beneficial impact for Canadian suppliers of replacement parts. The definition of *final assembly* codifies existing practices dating back to 1997, and should not impact the current business practices of Canadian transit suppliers.

5. National tourism indicators [2nd Quarter 2007]

Tourism spending in Canada increased in the second quarter of 2007, the 16th consecutive quarterly increase. Spending by international visitors began to increase after its decline in the 4th quarter of 2006 and outlays by Canadians continued to increase.

Conferences

1. CBA Annual Fall Conference on Competition Law at the Hilton Lac Leamy, Gatineau, Quebec, October 11-12, 2007. See www.cba.org
2. Maritime Logistics Conference will take place on Oct. 15-16, 2007, at the Hyatt Regency Baltimore Hotel in Baltimore, Md., US. See www.joc.com/conferences
3. CTRF/CITL Joint Conference, Sheraton Hotel, 150 Albert Street, Ottawa, October 26, 2007, www.ctrf.ca
4. “Maximizing Value in Supply Chains”, November 14-15, Vancouver. See www.westac.com

Publications

1. Managing Urban Traffic Congestion, ECMT.
2. Transport and International Trade, Round Table 30, ECMT.
3. CAC Newsletter, October /September, September 21, 2007, www.cacairports.ca