

Transportation Information Update*

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AIR TRANSPORTATION

1. TIACA calls for separate cargo, passenger air liberalization

The International Air Cargo Association is calling on countries that support separating air cargo and air passenger rights to develop a separate set of cargo regulations that would allow industry liberalization. A member of the Association said "We believe that a separate cargo annex should be pursued as the first step towards market liberalization and openness."

2. Air Canada to get \$70-million from Aeroplan

Air Canada will receive about \$70-million in accelerated payments from the Aeroplan loyalty program. It struck a deal with Groupe Aeroplan Inc. to speed up payments on tickets issued up to May 29, 2009 so that it will receive the money by the end of this month. It is a step to improve the airlines short and longer term liquidity.

3. Traffic Decline Continues - Second Month of Global Contraction

The International Air Transport Association (IATA) indicated that international air traffic for October 2008 showed a second consecutive month of global decline. International passenger traffic declined by 1.3% compared to the same month in the previous year, however it was a smaller decline than the 2.9% drop experienced in September 2008. The October 2008 load factor was 75%, approximately 2% below the previous year level. International air freight traffic contracted by 7.9% in October 2008 for a fifth consecutive month of increasingly severe drops.

4. British Airways, Qantas in merger talks, Delta trims capacity

On December 2, 2008, British Airways Plc indicated that it is "exploring a potential merger with Qantas Airways Ltd. via a dual-listed company structure." The discussions between British Airways and Iberia are continuing but it is not known whether it will result in any transaction. It is also pursuing a revenue sharing deal with American Airlines. The effect was a rise in its share prices.

5. Air Canada fuel hedges backfire as oil drops

As oil prices surged to a record \$147 (U.S.) a barrel in July 2008, Air Canada's fuel hedging contracts enabled the airline to withstand fuel shocks. Now those very contracts are weighing down the country's largest carrier, preventing it from taking full advantage of oil prices that have tumbled 68% to less than \$47 a barrel. In the current quarter, 56% of the airline's fuel needs are hedged at between \$90 and \$95 a barrel. Next year, 31 per cent of its forecasted fuel requirements have been hedged at between \$95 and \$102 a barrel. This fuel strategy and weakened demand have raised concern among analysts.

6. WestJet announces a record November load factor of 76.1 per cent

WestJet on December 3, 2008 announced its November 2008 traffic results: a load factor of 76.1 per cent (a increase of 0.5 points compared to November 2007); available seat miles of 1.387 billion miles (a capacity increase of 13.5% compared to November 2007); and revenue passenger seat miles of 1.056 billion miles (an increase of 14.4% compared to November, 2007). The CEO for WestJet, Sean Durfy, stated "Our November load factor and continued growth in revenue passenger miles indicate to us that the Canadian market has a healthy balance of travellers and aircraft seat capacity."

Current Developments in Brief

Air Transportation

CANADA

1. TIACA calls for separate cargo, passenger air liberalization, November 25, 2008, www.americanshipper.com
2. Air Canada to get \$70-million from Aeroplan, December 1, 2008, www.globeandmail.ca
3. Traffic Decline Continues - Second Month of Global Contraction, November 27, 2008, www.iata.org
4. British Airways, Qantas in merger talks, Delta trims capacity, December 2, 2008, www.americanshipper.com
5. Air Canada fuel hedges backfire as oil drops, December 2, 2008, www.globeandmail.ca
6. WestJet announces a record November load factor of 76.1 per cent, December 3, 2008, www.westjet.ca
7. Air Canada reports record November load factor, December 4, 2008, <http://www.aircanada.com/en/about/media/facts/index.html>
8. Baird Greenlights New Flights to Mexico, Greater Consumer Choice, December 3, 2008, www.tc.gc.ca
9. Baird Greenlights New Flights to Panama, Greater Consumer Choice, December 4, 2008, www.tc.gc.ca
10. Government of Canada Approves London International Airport for International Air Cargo Transshipment Program, December 3, 2008, www.tc.gc.ca
11. WestJet and Mokulele announce partnership, December 7, 2008, www.westjet.ca
12. US\$2.5 billion loss for 2009 - Worst Revenue Environment in 50 Years, December 9, 2008, www.iata.org
13. IATA Global Media Day 2008 - Remarks of Giovanni, December 9, 2008, www.iata.org
14. Canada and EU reach deal to liberalize air travel, December 9, 2008, www.nationalpost.ca
15. Breakthrough in EU-Canada negotiations on far-reaching aviation agreement, December 9, 2008, www.eruopa.eu
16. WestJet applauds Canada-European Union air transport agreement, December 9, 2008, www.westjet.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.

7. Air Canada reports record November load factor

Air Canada reported a load factor of 78.5 percent for November 2008, 2.4 points higher than that recorded in November 2007. The main line carrier flew 4.4 percent less revenue passenger miles (RPMs) in November 2008 than in November 2007. Air Canada's capacity decreased by 7.3 percent for November 2008. Jazz's capacity for November 2008 decreased 9.4 per cent, resulting in a load factor of 69.6 percent, compared to 72.2 percent in November 2007, a decrease of 2.6 points. On a combined basis (Air Canada and Jazz), system traffic decreased 5.2 per cent while capacity decreased 7.5 percent, resulting in a load factor of 77.6 percent for November 2008, 1.6 percentage points higher than a year earlier. International traffic (RPMs) decreased by 4.1% for the same period on a capacity decrease of 8.1%

8. Baird Greenlights New Flights to Mexico, Greater Consumer Choice

On December 3, 2008, Canada's Transport Minister, John Baird, indicated that Air Transat and WestJet will be permitted to operate scheduled flights between Vancouver and Ixtapa/Zihuatanejo. Furthermore, Air Transat, Skyservice and Sunwing are also being given the go ahead to offer scheduled flights between Ottawa and Puerto Vallarta. "These new links will provide more choices for Canadians travelling and shipping goods to Mexico" said the Minister.

9. Baird Greenlights New Flights to Panama, Greater Consumer Choice

Canada's Transport Minister, John Baird, announced on December 4, 2008, the designation of Air Transat to operate twice weekly scheduled flights between Canada and Panama, and WestJet to operate scheduled flights between Canada and Panama on a weekly basis.

10. Government of Canada Approves London International Airport for International Air Cargo Transshipment Program

Canada's Transport Minister John Baird announced on December 3, 2008, the approval of London International Airport to participate in the international air cargo transshipment program. The program allows international air cargo to be moved through the airport for shipment to third countries, enabling the airport to seek new market opportunities and further develop its air cargo activity. This program was introduced in 1982.

11. WestJet and Mokulele announce partnership

On December 7, 2008, WestJet announced a partnership with Mokulele Airlines, an inter-island airline based in Kona, Hawaii. According to WestJet 'This partnership will provide our guests greater access across the Hawaiian Islands and will assist our guests booking with WestJet Vacations in planning their ideal vacation.'

12. US\$2.5 billion loss for 2009 - Worst Revenue Environment in 50 Years

The International Air Transport Association (IATA) announced its forecast for 2009 showing an industry loss of US\$2.5 billion. Industry revenue, yields, passenger traffic, cargo traffic and oil price per barrel are expected to decline. Outlook is bleak and IATA indicated it is faced with its worst revenue environment in 50 years.

13. IATA Global Media Day 2008 - Remarks of Giovanni

Giovanni Bisignani indicated that tough times are ahead. After a profit in 2007, the industry plunged back into crisis as oil price rose in July 2008. He spoke on the Financial Outlook (a loss of 5 billion in 2008 and expected loss of \$2.5 b. in 2009); Liberalisation (a need to change the Chicago Convention as it denies freedom of access to markets); Environment (a carbon neutral growth leading to a carbon free future); Infrastructure (an intensification of the infrastructure cost

17. Air Canada welcomes successful conclusion of Canada-European Union air transport agreement, December 9, 2008, <http://www.aircanada.com/en/about/media/facts/index.html>

18. Canada Concludes Historic Air Transport Negotiations with European Union, December 9, 2008, www.tc.gc.ca

19. Air Canada to re-introduce only direct weekly non-stop service between Montréal and Fort-de-France, Martinique, December 10, 2008, www.aircanada.ca

20. ACE Aviation cleared to dissolve, Globe and Mail, December 9, 1008, www.tc.gc.ca

21. Air Canada responds to ACE wind-up plan, December 10, 2008, www.aircanada.ca

22. Let the countdown begin - WestJet adds seats remaining feature to web site, December 11, 2008, www.westjet.ca

23. WestJet launches new service to Dominican Republic, December 15, 2008, www.westjet.ca

24. WestJet launches new service to Kamloops, B.C., December 15, 2008, www.westjet.ca

25. Air Canada voted top honours by readers of Business Traveler Magazine, December 12, 2008, www.aircanada.com

26. New Zealand starts air cargo cartel probe, December 15, 2008, www.americanshipper.com

27. Air Canada to launch daily, non-stop Montréal-Rome service, December 15, 2008, www.aircanada.ca

28. Aircraft movement statistics: Small airports [August 2008], December 16, 2008, www.statcan.gc.ca

29. Southwest Airlines to offer online link to WestJet on southwest.com, December 16, 2008, www.westjet.com

30. Here we grow again, December 18, 2008, www.westjet.com

31. Air Canada's U.S.-based customer service workforce ratifies collective agreement, December 19, 2008, www.aircanada.ca

32. Air Canada concludes financing for US\$78 million, December 22, 2008, www.aircanada.ca

33. Aircraft movement statistics: Major airports (November 2008), November 23, 2008, www.statcan.gc.ca

34. WestJet and Southwest Airlines Ink Code-sharing Agreement, December 24, 2008, www.westjet.ca

campaign); Simplifying the business (a saving of \$3 billion through 100% e-ticketing but other programs are left - bar coding ticketing, baggage improvement, etc); Security (the need to promote security management systems); and Safety (an improvement in safety as accidents per million flights declined).

14. Canada and EU reach deal to liberalize air travel

The Canadian government and European Union have finalized a pact that will liberalize air travel across the Atlantic in early 2009. The pact would first allow European and Canadian carriers to operate unlimited direct service between any point in each others' market. Second, after the foreign ownership limits are raised, the pact would allow European investors to take control of 49% of any Canadian airline. Third, the pact would enable investors to set up and control new airlines in each others' markets, and to fly onto a third country. Finally, the pact would eliminate so-called "cabotage" laws and allow airlines to fly between two points in each others' markets.

15. Breakthrough in EU-Canada negotiations on far-reaching aviation agreement

On December 9, 2008, Vice-President Tajani announced a breakthrough in the EU-Canada negotiations aviation agreement. He indicated that the agreement will be a major step in the opening of markets and investment opportunities. It both completes the transatlantic market started with the EU-US first stage aviation agreement and goes well beyond it. The agreement will generate major benefits for both partners' consumers, airlines and broader economies. The pact will lead to more trans-Atlantic trade and spur competition. It is a milestone for EU-Canada relations ...[and] is groundbreaking in the aviation world.

16. WestJet applauds Canada-European Union air transport agreement

On December 9, 2008, WestJet commented on the successful conclusion of the Canada-European Union air transport agreement. Sean Durfy, President and CEO said "We are pleased to see the successful conclusion of this agreement, which will

provide benefit to WestJet as more people will have access to our award-winning guest experience,...As we move forward, we hope the government will ensure a level playing field for all competitors."

17. Air Canada welcomes successful conclusion of Canada-European Union air transport agreement

Air Canada welcomed the important landmark agreement achieved by Canada and the 27 Member States of the European Union. Yves Dufresne, Vice President, International and Regulatory Affairs, Air Canada said "This new agreement opens up a realm of new commercial opportunities for Air Canada in Canada's second largest travel market after the U.S. It will allow Air Canada to capitalize on travel demand from Canada, the U.S., Central and South America to Europe further developing Canada as a gateway to the world. "Air Canada has long been an advocate of such an enhanced aviation agreement..."

18. Canada Concludes Historic Air Transport Negotiations with European Union

On December 9, 2008, Canada's Transport Minister John Baird, announced that Canada has successfully concluded negotiations with the European Union (EU) on a comprehensive air transport agreement. This agreement, is consistent with Canada's Blue Sky policy and current Canadian legislation. It allows for the development of new markets, new services and greater competition. For the moment it includes: unrestricted direct air services between Canada and EU Member States; flexible pricing arrangements; and improved flexibility for cargo.

19. Air Canada to re-introduce only direct weekly non-stop service between Montréal and Fort-de-France, Martinique

Air Canada announced on December 10, 2008, the re-introduction of the only non-stop scheduled weekly service between Montréal and Fort-de-France, Martinique beginning in the summer of 2009.

20. ACE Aviation cleared to dissolve

ACE Aviation Holdings Inc. has received a favourable advance tax ruling paving the way for distributing Air Canada shares and cash to ACE common shareholders.

21. Air Canada responds to ACE wind-up plan

35. WestJet Releases Weather Recovery Statistics, December 26, 2008, www.westjet.ca

US

1. The EU opens negotiations with Australia and New Zealand on comprehensive air services agreements, December 2, 2008, www.europa.eu

2. Airline On-Time Performance Improves in October, December 10, 2008, www.dot.gov

3. September 2008 Airline Traffic Data: System Traffic Down 8.4 Percent in September from 2007 and Down 2.1 Percent for January-to-September, December 11, 2008, www.bts.gov

4. U.S. Secretary of Transportation Mary E. Peters Announces New Data Showing Record Low Highway Fatalities; Americans Safer than ever on the Nation's Roads, Rails, and in the Skies, December 11, 2008, www.dot.gov

5. Third-Quarter 2008 System Airline Financial Data: Network Airlines Report Fourth Consecutive Quarterly Loss Margin, December 15, 2008, www.bts.gov

6. October 2008 [US] Passenger Airline Employment Down 5.7 Percent from October 2007, December 16, 2008, www.dot.gov

In response to ACE Aviation Holdings Inc.'s ("ACE") announcement on December 10, 2008 of the details and timeline for its proposed wind-up. Air Canada provided the following comment "We believe there are many benefits to becoming an independent company,..Air Canada's shares are now free to trade based on the airline's fundamentals without the impact of the ACE overhang and with the benefit of a greater public float."

22. Let the countdown begin - WestJet adds seats remaining feature to web site

On December 11, 2008, WestJet added a new feature to the booking portion of its web site to show guests how many seats remain at a certain price or on a specific flight. The seats remaining feature will not be displayed unless there are fewer than 10 seats remaining.

23. WestJet launches new service to Dominican Republic

On December 15, 2008, WestJet launched seasonal non-stop service to La Romana, Dominican Republic. It is part of WestJet's enhanced winter schedule.

24. WestJet launches new service to Kamloops, B.C.

On December 15, 2008, WestJet launched new non-stop service to Kamloops, B.C., its seventh B.C. destination.

25. Air Canada voted top honours by readers of Business Traveler Magazine

The readers of Business Traveler magazine have voted Air Canada as offering the Best In-Flight Services in North America, as well as being the Best Airline for Business Class Service in North America and the Best North American Airline for International Travel.

26. New Zealand starts air cargo cartel probe

New Zealand authorities have initiated proceedings on December 15, 2008 against 13 airlines for price fixing cargo rates in and out of the country. The airlines to be prosecuted are: Air New Zealand, British Airways, Cargolux International, Cathay Pacific, Emirates, Garuda International, Japan Airlines, Korean Airlines, Malaysian Airline Systems, Qantas, Singapore Airlines, Thai Airlines and United Airlines. The investigation could eventually spread to 60 airlines.

27. Air Canada to launch daily, non-stop Montréal-Rome service

On December 15, 2009, Air Canada announced that it will launch non-stop service between Montréal and Rome to meet seasonal travel demand, beginning June 20, 2009.

28. Aircraft movement statistics: Small airports [August 2008]

The number of take-offs and landings at the 117 Canadian airports without air traffic control towers reached 68,181 movements in August 2008, down 19.1% compared with the 84,284 take-offs and landings at the 120 airports reported in August 2007.

29. Southwest Airlines to offer online link to WestJet on southwest.com

Southwest Airlines announced on December 16, 2008 that it will offer customers the ability to book flights to Canada on WestJet via a convenient online link to WestJet's booking portal on southwest.com. The two airlines plan eventually to enter a code-sharing arrangement.

30. Here we grow again

On December 17, 2008, Westjet announced that it will add four new destinations to its network. New seasonal non-stop service between Edmonton and Yellowknife, and Toronto and Sydney, N.S., begins on May 4 and 5, 2009, respectively. Calgary and San Diego beginning June 1, 2009, and Calgary and San Francisco beginning June 2, 2009 will also be added.

31. Air Canada's U.S.-based customer service workforce ratifies collective agreement

Air Canada said on December 19, 2008 that its U.S.-based customer service workforce (650), represented by the International Brotherhood of Teamsters (IBT), has ratified a milestone labour agreement. This agreement is the first renewal of Air Canada's collective agreements in 2009.

32. Air Canada concludes financing for US\$78 million

Air Canada announced on December 22, 2008, that it has concluded a secured financing transaction valued at US\$78 million.

33. Aircraft movement statistics: Major airports (November 2008)

Aircraft take-offs and landings at Canadian airports with NAV CANADA air traffic control towers and flight service stations decreased 7.5% in November 2008 compared with November 2007. These 95 airports reported 444,594 movements in November 2008 compared with 480,460 movements in November 2007.

34. WestJet and Southwest Airlines Ink Code-sharing Agreement

WestJet Airlines announced on December 24, 2008 that WestJet and Southwest Airlines have executed the definitive agreement that will allow the two airlines to deliver code-sharing capability in late 2009.

35. WestJet Releases Weather Recovery Statistics

During this historic and unprecedented 2008 Christmas travel season with unseen bad weather, WestJet spent approximately \$2 million in the past six days to care for guests stranded across the country.

WATER TRANSPORTATION

1. BC Ferries begins phase out of fuel surcharges

BC Ferries received authorization from the British Columbia Ferry Commissioner to remove the remainder of its fuel surcharge in December 2008. BC Ferries sailings will be discounted by 33 percent for a two-month period between Dec. 1 and Jan. 31, 2009.

2. European Shippers supports consortia market share

On December 1, 2008, the European Shippers Council (ESC) indicated its supports for liner consortia and also endorsed the limit of 30 percent that the EC Competition Directorate has proposed as the maximum market share that a carrier within a consortium should be allowed before being required to undergo a legal process called "self-assessment". The ESC statement was made in response to concerns by the European Liner Affairs Association over the regulation of liner shipping consortia being considered by the European Commission.

3. Port of Montreal Accumulated Traffic Report [Year to Date - October 2008]

The Port of Montreal released its accumulated container traffic report for January to October 2008. Total year-to-date general containerized traffic (other than bulk) was 11,347,33 tonnes to October 2008, an increase of 9.2% over the same period in 2007. Year-to-date imports (TEUs) increased by 0.2% and exports increased by 16.7%. In terms of TEUs, the accumulated January to October 2008 total was 1,250,073, (i.e., an increase of 9.2%) the inbound increase was 8.6% and the outbound was 9.7%

4. Record Cruise Season for the Port of Halifax

The year 2008 marked a record for the cruise industry in the Port of Halifax with 125 vessel calls and 228,000 passengers. Manager of Cruise Development for Halifax Port Authority said "This has truly been a banner year for the Port of Halifax and its partners ... Cruise continues to deliver strong economic benefits to our region – this year the total economic impact was \$25 million.

5. Vanport owner-ops stirring the port again

The possibility of labour unrest in the Lower Mainland arose when independent car haulers at the Port of Vancouver staged a noisy protest. The truckers -members of a Vancouver Container Truckers' Association - are demanding that the Vancouver

Port Authority and governments do a better job of enforcing previously mandated trucking rates.

6. Canada Moves to Further Protect its Sovereignty and Safeguard Arctic Waters from Pollution

Legislation was introduced in the House of Commons on December 4, 2008 by the Minister of Transport to enhance

Water Transportation

Canada

1. BC Ferries begins phase out of fuel surcharges, December 1, 2008, www.todaystrucking.ca
2. European Shippers supports consortia market share, December 1, 2008, www.joc.com
3. Port of Montreal Accumulated Traffic Report [Year to Date - October 3, 2008], December 2, 2008.
4. Record Cruise Season for the Port of Halifax, Nov. 27, 2008, www.porthalifax.ca
5. Vanport owner-ops stirring the port again, December 3, 2008, www.todaystrucking.ca
6. Canada Moves to Further Protect its Sovereignty and Safeguard Arctic Waters from Pollution, December 4, 2008, www.tc.gc.ca
7. Legislation aims to protect Arctic sovereignty, control over marine activity, December 9, 2008, www.ctl.ca
8. UN adopts liability rules, December 11, 2008, www.joc.com
9. B.C. could face port strike in the New Year, December 11, 2008, www.ctl.ca
10. East coast ferry line cuts fuel surcharge ahead of schedule, December 12, 2008, www.todaystrucking.ca
11. Government of Canada Expands Magdalen Ferry to Year-round Service, December 12, 2008, www.tc.gc.ca
12. Port of Vancouver Accumulated Traffic Report [Year to Date - November 2008], December 18, 2008, www.portvancouver.ca
13. Port of Vancouver Accumulated Cruise Report [Year to Date - November 2008], December 18, 2008, www.portvancouver.ca
14. Vancouver, Prince Rupert ports lose container traffic as strike looms, December 22, 2008, www.ctl.ca
15. Vancouver port facing strike threat from truckers, December 24, 2008, www.joc.com

US

1. Maersk lays up 8 box ships, December 4, 2008, www.joc.com
2. Container ship lines struggle to survive what could be an extended bust, December 10, 2008, www.joc.com

Canada's sovereignty over Arctic waters and protect them from pollution. It will give Canada greater and more effective control over marine activity in the Canadian Arctic while enhancing environmental protection in Canada's North.

7. Legislation aims to protect Arctic sovereignty, control over marine activity

Amendments to the *Arctic Waters Pollution Prevention Act* have been introduced by the honourable Transport Minister, John Baird. It will enhance Canada's sovereignty over Arctic waters and protect them from pollution. The definition of "arctic waters" was extended from 100 nautical miles to 200 nautical miles.

8. UN adopts liability rules

The United Nations General Assembly adopted a new international convention to cover liability for damage to cargo moving on the ocean, or in multimodal moves that include ocean transportation on December 11, 2008.

9. B.C. could face port strike in the New Year

A labour dispute at British Columbia ports in the Lower Mainland, Vancouver Island and Prince Rupert could see port workers in a position to strike beginning Jan. 2, 2009. Grain shipments will not be affected given current laws.

10. East coast ferry line cuts fuel surcharge ahead of schedule

Marine Atlantic which provides ferry service has cut its fuel surcharge. The fuel surcharge will now be set at 9 percent, which is a 65 percent decrease from the previous quarter. This follows BC Ferries which reduced the surcharge.

11. Government of Canada Expands Magdalen Ferry to Year-round Service

On December 12, 2008. Canada's Transport Minister, John Baird, announced a pilot project in February and March 2009, which will provide two round-trip crossings per week between Cap-aux-Meules, Magdalen Islands, and Souris, Prince Edward Island.

12. Port of Vancouver Accumulated Traffic Report [Year to Date - November 2008]

The Port of Vancouver released its accumulated container traffic report for January to November 2008. Total year-to-date traffic was 2,310, 337 TEUs to November 2008, an increase of 1% over the same period in 2007. Year-to-date imports (TEUs) increased by 0% and exports increased by 2%.

13. Port of Vancouver Accumulated Cruise Report [Year to Date - November 2008]

The Port of Vancouver released its accumulated cruise traffic report for January to November 2008. The number of vessels offering cruises fell 7.6%, the number of passengers and passenger revenues both fell by 11% and the budget passengers fell 8.4%.

14. Vancouver, Prince Rupert ports lose container traffic as strike looms

Container traffic, has already been affected as a result of a threatened strike at the ports of Vancouver and Prince Rupert. It could shut down the ports completely if it is not resolved soon. The talks between the International Longshore and Warehouse Union and their employers are progressing slowly.

15. Vancouver port facing strike threat from truckers

Port Metro Vancouver, Canada's busiest ocean gateway, faces a second strike threat to its container, bulk and automobiles traffic. The cause is truckers who haul containers to and from the port's terminals are undercutting rates agreed to after a work stoppage by drivers in 2005, and that enforcement of the rates is lacking.

RAIL TRANSPORTATION

Canada

1. CN and Amtrak reach agreement on passenger railroad's continued access to Chicago rail line

On December 3, 2008, CN announced an agreement with Amtrak that will ensure Amtrak's continued, cost-effective access to the St. Charles Air Line route for its passenger trains between Chicago's Union Station and downstate Illinois destinations such as Carbondale and Champaign. The agreement is based on commitments made by CN to Amtrak and the Surface Transportation Board (STB) earlier in 2008. CN's commitments to Amtrak are a key part of its comprehensive voluntary plan to mitigate the impact of the EJ&E transaction.

2. CN and Town of Dyer, Ind., reach agreement on mitigation plan for EJ&E transaction

CN announced on December 5, 2008 an agreement with the Town of Dyer, Ind., located 30 miles southeast of downtown Chicago, that resolves the municipality's issues with CN's proposed acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company (EJ&E). This is CN's third agreement with Chicago municipality areas.

3. Mundelein joins growing number of other Chicago-area municipalities reaching mitigation agreements with CN

CN and the Village of Mundelein, Ill., located northwest of Chicago, jointly announced a voluntary mitigation agreement on December 9, 2008 addressing the municipality's concerns regarding CN's proposed acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company (EJ&E).

4. CN and Schererville, Ind., agree on mitigation plan for EJ&E transaction

CN and the Town of Schererville, Ind. located 20 miles south of Chicago, jointly announced a voluntary mitigation agreement on December 9, 2008 addressing the municipality's concerns regarding CN's proposed acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company (EJ&E).

5. Rail Transport and Interoperability

The European Commission has adopted a proposal for a Regulation on the creation of a European network for a competitive rail freight on Dec. 11, 2008.

6. Key mitigation issues addressed in final environmental impact statement; CN continues to reach voluntary mitigation agreements with communities

On December 12, 2008, the U.S. Environmental Protection Agency published in the Federal Register a notice of availability of the Final Environmental Impact Statement on CN's proposed acquisition of the major portion of the Elgin, Joliet & Eastern Railway Company. This is expected to clear the way for the Surface Transportation Board to promptly issue a final decision on the transaction.

7. CN reaches voluntary mitigation agreements with Frankfort and Hoffman Estates, Illinois

CN announced on December 16, 2008, agreements with the villages of Frankfort and Hoffman Estates, Ill., addressing the municipalities' issues with CN's proposed acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company.

8. Canadian Pacific Railway Limited declares dividend

Canadian Pacific Railway Limited declared a quarterly dividend of twenty four and three quarter cents (\$0.2475) Canadian per share on its outstanding common shares payable on January 26, 2009.

9. CPR slashes staff, spending

In response to the slowing economy, CPR is cutting 600 jobs from its work force of 16,000 people. It is also introducing other cost cutting measures such as suspension of bonuses, flex days, freeze on hiring, etc.

10. CN orders additional locomotives

CN announced on December 19, 2008 that it would acquire 40 EMD SD70M-2 locomotives in early 2010, with an option for 50 more of the 4,300 horsepower locomotives by 2011. The locomotives will enhance customer service, and will also allow them to reduce fuel consumption and exhaust emissions.

11. CN now has ten such agreements in Illinois and Indiana

CN announced on November 23, 2008, a voluntary mitigation agreement with the Village of Mokena, Ill., located southwest of Chicago, that addresses the community's concerns about CN's proposed acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company.

12. CP Rail's Q4 earnings under pressure

RBC Capital expects fourth quarter earnings of Canadian Pacific Rail to be reduced. It is estimated to be reduced 19¢ per share to \$1.01 based on several negative factors. However, earnings per share 2009 estimate is unchanged at \$4.18. "Management indicated that Elk Valley mines are winding down production with a full shutdown scheduled from Dec. 23

Rail Transportation

1. CN and Amtrak reach agreement on passenger railroad's continued access to Chicago rail line, December 3, 2008, www.cn.ca
2. CN and Town of Dyer, Ind., reach agreement on mitigation plan for EJ&E transaction, December 5, 2008, www.cn.ca
3. Mundelein joins growing number of other Chicago-area municipalities reaching mitigation agreements with CN, December 9, 2008, www.cn.ca
4. CN and Schererville, Ind., agree on mitigation plan for EJ&E transaction, December 11, 2008, www.cn.ca
5. Rail Transport and Interoperability, December 11, 2008, www.eruropa.eu
6. Key mitigation issues addressed in final environmental impact statement; CN continues to reach voluntary mitigation agreements with communities, December 12, 2008, www.cn.ca
7. CN reaches voluntary mitigation agreements with Frankfort and Hoffman Estates, Illinois, December 16, 2008, www.cn.ca
8. Canadian Pacific Railway Limited declares dividend, December 16, 2008, www.cpr.ca
9. CPR slashes staff, spending, Globe and Mail, December 16, 2008, www.globeandmail.ca
10. CN orders additional locomotives, December 19, 2008, www.crl.ca
11. CN now has ten such agreements in Illinois and Indiana, December 23, 2008, www.cn.ca
12. CP Rail's Q4 earnings under pressure, December 23, 2008, www.nationalpost.ca
13. STB approves CN's EJ&E purchase, December 24, 2008, www.americanshipper.com
14. CN welcomes Surface Transportation Board issuance of decision approving EJ&E acquisition, December 24, 2008, www.cn.ca

US

1. FRA Begins Development of Positive Train Control Regulations New Rules will Support Implementation of Technology to Prevent Train Collisions, December 22, 2008, www.dot.gov
2. U.S. rail freight down, December 23, 2008, www.ioc.com

to Jan. 5, 2009." Elk Valley, owned by Teck Cominco Ltd., is a "substantial and high margin representing 13% of CP's revenue. He said the mine shutdown will impact CP Rail's EPS by 3¢ in the quarter.

13. STB approves CN's EJ&E purchase

On December 24, 2008, the U.S. Surface Transportation Board unanimously approved the plan by CN and its Grand Trunk Corp. affiliate to purchase the Elgin, Joliet & Eastern Railway Company (EJ&E), subject to a number of Board-imposed conditions. The conditions basically are environmental mitigation requirements to deal with the adverse environmental impacts. The STB said the transaction will not result in a substantial lessening of competition, the creation of a monopoly, or a restraint of trade, and that "any minor anticompetitive effects that may result will be outweighed by the overall transportation benefits."

14. CN welcomes Surface Transportation Board issuance of decision approving EJ&E acquisition

CN welcomed the issuance by the Surface Transportation Board of its decision approving CN's purchase of the principal lines of the Elgin, Joliet & Eastern Railway Company (EJ&E) but was disappointed with the additional conditions.

HIGHWAY TRANSPORTATION

1. September 2008 Surface Trade with Canada and Mexico Rose 7.5 Percent from September 2007

According to the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation, trade using surface transportation between the United States, Canada and Mexico reached \$71.8 billion, 7.5 percent higher in September 2008 than in September 2007. U.S.–Canada surface transportation trade totalled \$46.8 billion in September 2008, up 9.7 percent compared to September 2007. The value of imports carried by truck was unchanged in September 2008 compared to September 2007, while the value of exports carried by truck was 2.6 percent higher. Michigan led all states in surface trade with Canada in September 2008 with \$5.9 billion. Mexico-Canada surface trade continued to increase but at a much slower rate when compared to the earlier years.

2. Paul's Hauling sells off Gardewine division

Pauling Hauling in an effort to become more efficient has sold Gardewine Group to Triwest Capital Partners. Gardewine, a Winnipeg company, is mainly a general goods LTL hauler with a strong presence in Manitoba, Northern Ontario and Saskatchewan and will not be affected by the sale. Paul's Hauling was ranked as one of the top 10 largest for-hire carriers in 2008 but has since fallen to 19 in the list of largest Canadian carriers. There were major disputes in 1989, 1999 and 2005.

3. For-hire motor carriers of freight, top carriers [Second quarter 2008]

The top 97 for-hire carriers (Canadian-based trucking companies earning \$25 million or more annually) generated operating revenue of \$2.6 billion and operating expenses of \$2.4 billion in the second quarter of 2008. The operating ratio (operating expenses divided by operating revenue) for this quarter was 0.95 compared with 0.94 the quarter of the previous year.

4. Trimac acquires fertilizer hauling business

Trimac has acquired Canamera, a bulk trucking and warehousing company involved in the transportation and warehousing of fertilizer, agricultural products and road salt in Saskatchewan, Alberta and Manitoba. The purchase price for the business was \$2.9 million and includes a fleet of 19 company owned tractors and 24 trailers with annual revenues in its last completed fiscal year of approximately \$7.9 million. The transaction also involved assumed net debt.

5. Federal and Provincial Governments Celebrate the Completion of Upgrades to Trans-Canada Highway in Saskatchewan

On December 5, 2008, government officials announced the completion of the twinning of the Trans-Canada Highway in Saskatchewan. It links Saskatchewan to port facilities and major Canadian centres from coast to coast. Twinning this corridor

will provide it with more efficient links to Canada's major export markets and enhance motorist safety. The total cost of twinning Highway 1 was \$217 million with \$59 million contributed by the Government of Canada through the Canada

Highway Transportation

Canada

1. September 2008 Surface Trade with Canada and Mexico Rose 7.5 Percent from September 2007, December 1, 2008, www.bts.gov
2. Paul's Hauling sells off Gardewine division, December 3, 2008, www.todaystrucking.ca
3. For-hire motor carriers of freight, top carriers [Second quarter 2008], December 3, 2008, www.statcan.ca
4. Trimac acquires fertilizer hauling business, December 5, 2008, www.todaystrucking.ca
5. Federal and Provincial Governments Celebrate the Completion of Upgrades to Trans-Canada Highway in Saskatchewan, December 5, 2008, www.tc.gc.ca
6. Ontario To Permit Low-Speed Vehicles, December 5, 2008, www.mto.gov.ca
7. Federal and Provincial Governments Complete Twinned Highway 101 Between Falmouth and Avonport, Nova Scotia, December 7, 2008, www.tc.gc.ca
8. For-hire motor carriers of freight, all carriers [Second quarter 2008], December 12, 2008, www.statcan.gc.ca
9. US-Canada trucks decline, December 12, 2008, www.joc.com
10. Purolator launches expedited service to mid-Atlantic Canada, December 15, 2008, www.todaystrucking.ca
11. Large urban transit October 2008 (preliminary), December 18, 2008, www.statcan.gc.ca
12. Completed Comment Period on DRIC Draft Environmental Assessment Report, December 15, 2008, www.mto.on.gov.ca
13. Truck Speed Being Capped, December 22, 2008, www.mto.gov.on.ca
14. Couriers and Messengers Services Price Index (November 2008), December 24, 2008, www.statcan.gc.ca

US

1. American Industry Shipped 13 Billion Tons of Goods in 2007, December 9, 2008, www.bts.gov
2. Freight Transportation Services Index (TSI) Rose 1.0 Percent in October from September, December 10, www.dot.gov
3. Travel between Canada and other countries, December 17, 2008, www.statcan.gc.ca

Strategic Infrastructure Fund (CSIF) and the Strategic Highway Infrastructure Program (SHIP).

6. Ontario To Permit Low-Speed Vehicles

Ontario will permit low-speed vehicles (LSVs) equipped with additional safety features to be driven on public roads, under rules to be released. It is believed that this will enable low-speed electric vehicles to be driven safely on public roads as long as they include a number of additional safety requirements and follow appropriate road restrictions.

7. Federal and Provincial Governments Complete Twinned Highway 101 Between Falmouth and Avonport, Nova Scotia

The governments of Canada and Nova Scotia marked the completion of the 11.8 kilometres of twinned highway between Falmouth and Avonport on December 7, 2008. The total cost to twin this section of Highway 101 was approximately \$47 million.

8. For-hire motor carriers of freight, all carriers [Second quarter 2008]

For-hire trucking companies based in Canada with annual revenue of \$1 million or more generated operating revenue of \$7.4 billion in the second quarter of 2008, up 6.3% from the previous year. Their operating expenses were \$7.0 billion, 6.6% higher than a year earlier. The operating ratio remained unchanged at .94 despite the slight increase in expenses.

9. US-Canada trucks decline

Freight traffic over the busiest United States-Canada border crossing declined by nearly 500,000 trucks through November 2008 from the previous-year period. Truck traffic on Ambassador Bridge dropped 14.9 percent.

10. Purolator launches expedited service to mid-Atlantic Canada

Purolator USA has introduced new direct-to-Canada outbound service. As a result, mid-Atlantic businesses now have a Canadian gateway.

11. Large urban transit October 2008 (preliminary)

Combined ridership on 10 large urban transit systems (80% of total) in Canada was 4.4% higher in October 2008 than for the same month a year earlier. Approximately 131.1 million passenger trips were taken. The trips generated \$210.9 million in revenue (excluding subsidies), up 7.7% from October 2007.

12. Completed Comment Period on DRIC Draft Environmental Assessment Report

The comment period on the Detroit River International Crossing study team's draft Environmental Assessment Report was completed on December 12, 2008. This valuable input helped shape the technically and environmentally preferred alternative. It identified the Windsor-Essex Parkway as the best solution to meet community needs and study goals for the access road to a new Canadian inspection plaza and international bridge.

13. Truck Speed Being Capped

Starting January 1, 2009, in Ontario most large trucks will be required to use speed limiters that cap their speed at 105 kilometres per hour. This lowers maintenance costs and improves fuel economy by 100 million litres of diesel fuel annually. They also reduce greenhouse gas emissions by 280,000 tonnes annually.

14. Couriers and Messengers Services Price Index (November 2008)

The Couriers and Messengers Services Price Index decreased 1.1% in November 2008 from the October 2008 level of 142.4 (2003=100). The courier portion fell 0.8%, while the local messengers component was down 2.4%.

GENERAL

1. Coalition of Industry Groups Endorses Canadian Chamber Call to "Put Canadians Ahead of Politics"

On November 3, 2008, a broad coalition of organizations representing a cross section of Canadian business and industry strongly endorsed the Canadian Chamber of Commerce's call for all political parties to focus on 'public interest' above all other considerations during this economic crisis.

2. Federal Partnership Delivers Key Infrastructure for New Border Crossing in New Brunswick

Government officials, opened a new 23-kilometre section of highway at a ceremony in St. Stephen, New Brunswick. The federal government has contributed \$30 million towards the St. Stephen bypass project.

3. Travel between Canada and other countries

Overnight travel to Canada was up 0.7% in October 2008 from the previous month and was at its highest level since May 2008. Overnight travel from the United States to Canada offset a decline in overnight travel from overseas countries. Overnight travel by Canadian residents to United States and abroad edged down 0.1% to 2.2 million trips, the lowest level since October 2007.

4. Government of Canada Invests in Green Transportation

Canada's Transport Minister, John Baird, announced on December 22, 2008 that the Government of Canada is investing in 11 projects across the country that support green transportation. The projects, will receive up to \$421,000 under the Moving on Sustainable Transportation program.

5. Federal-Provincial Agreement Extends Funding For Alberta, New Brunswick, and Nova Scotia Infrastructure

Communities across Alberta, N.B, and Nova Scotia can now plan for their long-term infrastructure needs, thanks to an investment of more than \$798 million, \$178 million and \$223 million over four years from 2010 to 2014 from the federal Gas Tax Fund. This funding is made possible under an extension of the Federal-Provincial Agreement.

Canada

1. Coalition of Industry Groups Endorses Canadian Chamber Call to "Put Canadians Ahead of Politics, December 3, 2008, www.airports.ca
2. Federal Partnership Delivers Key Infrastructure for New Border Crossing in New Brunswick, December 15, 2008, www.tc.gc.ca
3. Travel between Canada and other countries, December 17, 2008, www.statcan.gc.ca
4. Government of Canada Invests in Green Transportation, December 23, 2008, www.tc.gc.ca
5. Federal-Provincial Agreement Extends Funding For Alberta, New Brunswick, and Nova Scotia Infrastructure, December 19-17, 2008, www.tc.gc.ca

US

1. Action Plan for Deployment of Intelligent Transport Systems in Europe, December 16, 2008, www.europa.eu

Publications

1. Energy and Transport in Europe Digest, No. 288, November 28, 2008, www.europa.eu
2. Report from the Group of Senior Shipping Professionals, December 2, 2008, www.europa.eu
3. Liner Shipping Competition Policy: Non-Ratemaking Agreements Study, November 2008, www.apec.org
4. Energy and Transport in Europe Digest, No. 289, December 5, 2008, www.europa.eu
5. Freight Demand Outlook Conference presentations now available, December 7, 2008, www.westac.ca
6. Energy and Transport in Europe Digest, No. 290, December 12, 2008, www.europa.eu [Conferences](#)

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