

Transportation Information Update*

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AIR TRANSPORTATION

1. Airport activity [2007 Preliminary]

In 2007, air passenger traffic at Canadian airports increased 4.4% compared to 2006, continuing its upward trend since 2003. All sectors witnessed the increase with the international sector posting the largest increase (6.0%). Cargo tonnages loaded and unloaded at Canadian airports increased by 12.9% in 2007 compared to the previous year.

2. WestJet announces record January load factor of 76.8 per cent

On February 4, 2009, Westjet announced a load factor of 76.8 for January 2009, 0.6 points higher than January 2008. Available seat miles and revenue passenger miles were 9.4% and 10.3% higher respectively than the January 2008 statistics. Sean Durfy stated that "We are pleased with our increased load factor for the month of January,...Our traffic results demonstrate the success of our efforts to continue to profitably grow...."

3. WestJet, Air France and KLM Announce Signing of Memorandum of Understanding

On February 4, 2009, WestJet, Air France and KLM announced that they have signed a memorandum of understanding to build a new commercial relationship between the three airlines. The understanding includes a code-sharing agreement, a interline agreement (which includes e-tickets, baggage and passengers) and a frequent flyer program. It builds on Westjet strategy to increase connectivity.

4. Air Canada expands Calgary service with new daily flights to San Diego, CA; London, ON; Whitehorse, YK; and Portland, OR

Air Canada on February 3, 2009 announced the introduction of four new non-stop routes from Calgary to : San Diego, California; London, Ontario; Whitehorse, Yukon; and Portland, Oregon . The flights begin in May and June 2009.

5. Air Canada to launch new non-stop seasonal service between Sydney, NS and Toronto

Air Canada announced on February 4, 2009 that starting May 1, 2009, it will launch daily seasonal non-stop service between Sydney, NS and Toronto.

6. Air Canada reports record January traffic

On February 4, 2009, Air Canada reported its traffic for January 2009: a load factor of 79.4% (compared to 78.7% for January 2008, a 0.7 points increase); revenue passenger miles 3,438 million (7.7% lower); and available seat miles or capacity 4, 330 million (8.5 % lower). For the combined carriers (Air Canada and Jazz), statistics for January 2009 were: a load factor of 78.1% (compared to 77.9% for January 2008); revenue passenger miles 3,713 million (8.5% lower); and available seat miles or capacity 4, 754 million (8.8% lower).

7. Canadian airlines encounter turbulence in buyer's market

While air travellers benefit from the decline in airfares, this decline raises concerns for Canadian carriers as they find it difficult to further stimulate demand. The weak pricing environment is expected to have a detrimental effect on Canada's two major airlines. The *National Post* indicates that the average domestic leisure traveller spent 20% less on air fare in January 2009 compared to same period in 2008, while

Current Developments in Brief

Air Transportation

CANADA

1. Airport activity, February 3, 2009, www.statcan.ca
2. WestJet announces record January load factor of 76.8 per cent, February 4, 2009, www.westjet.ca
3. WestJet, Air France and KLM Announce Signing of Memorandum of Understanding, February 4, 2009, www.westjet.ca
4. Air Canada expands Calgary service with new daily flights to San Diego, CA; London, ON; Whitehorse, YK; and Portland, OR, February 4, 2009, www.aircanada.ca
5. Air Canada to launch new non-stop seasonal service between Sydney, NS and Toronto, February 4, 2009, www.aircanada.ca
6. Air Canada reports record January traffic, February 4, 2009, www.aircanada.ca
7. Canadian airlines encounter turbulence in buyer's market, February 5, 2009, www.nationalpost.ca
8. Cargo Plummets 22.6% in December, January 29, 2009, www.iata.org
9. Delta Hotels Partners with Air Canada to Provide Big Savings for Business Travelers, February 5, 2009, www.aircanada.com
10. Government of Canada invests in airport safety across the country, February 6, 2009, www.tc.gc.ca
11. Air Canada unions demand pension funding, February 9, 2009, www.globeandmail.ca
12. Airlines sound alarm over passenger rights bill, February 10, 2009, www.globeandmail.ca
13. 'All-in' airfare advertising rules stall before takeoff, February 10, 2009, www.nationalpost.ca
14. WestJet announces fourth quarter and year-end results, February 11, 2009, www.westjet.com
15. WestJet profit slides 45.9%, February 11, 2009, www.nationalpost.ca
16. WestJet profit falls as revenue rises, February 11, 2009, www.globeandmail.ca

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corporate travellers spent 25% less. Declines in U.S. cross-border fares were even more pronounced by as much as 33% on average year over year, with international fares falling by up to 22%.

8. Cargo Plummeted 22.6% in December

IATA reports that for the December 2008, global international cargo traffic plummeted 22.6% compared to December 2007. The same comparison for international passenger traffic showed a 4.6% drop. The international load factor stood at 73.8%. For the calendar year 2008, international cargo traffic was down 4.0%, passenger traffic showed a modest increase of 1.6%, and the international load factor stood at 75.9% down from 77.3% in 2007.

9. Delta Hotels Partners with Air Canada to Provide Big Savings for Business Travelers

Delta Hotels announced an exclusive partnership with Air Canada on February 5, 2009, providing guests who book and stay at any Delta hotel or resort with 15% off their airfare with Air Canada to any destination where a Delta hotel is located. This 15% discount offer is available on Air Canada's Tango Plus, Latitude and Executive Class fares from February 4, 2009 until June 30, 2009.

10. Government of Canada invests in airport safety across the country

The Honourable Tony Clement, Minister of Industry, announced on February 6, 2009 funding under Round Two of the 2009-2010 Airports Capital Assistance program. Canadians will benefit from enhanced airport safety of the federal government's funding program.

11. Air Canada unions demand pension funding

Air Canada's unions have asked Ottawa to demand that the airline's parent, ACE Aviation Holdings Inc., fund the employees' pension plan before the holding company winds up operations. Unionized workers claim that they made big concessions when Air Canada was being restructured and that these concessions would not have been made if the pension plan was not to be repaid.

12. Airlines sound alarm over passenger rights bill

MP Jim Maloway introduced his private member's bill on air passengers rights in Ottawa on February 10, 2009. The major provisions of this bill are: compensation to passengers embarked on the plane after the doors close for delays of more than an hour; fines for carriers that fail to make announcement of delays within ten minutes of employees learning of such information; compensation for travellers who are bumped off; and fines every time carriers advertise base air fares instead of the full amount to include taxes and surcharges. Canada's airline industry warned that the proposed passenger bill of rights threatens to send airfares soaring and throw flights into chaos.

13. 'All-in' airfare advertising rules stall before takeoff

In June 2007, Parliament passed legislation calling for "all-in" advertising for the airline business in Canada. However, consultations were first to be held by Transport Canada before this provision went into effect. No formal consultations have taken place. The problem is that travel agents are regulated by most provinces and airlines complain that it would be unfair to them as the legislation does not cover how travel agents advertise their airfare. Further, there is no way to regulate the websites of foreign airlines.

14. WestJet announces fourth quarter and year-end results

On February 11, 2009, WestJet announced its fourth quarter and year-end financial results for 2008. The airline reported fourth quarter net earnings of \$40.8 million and full-year net earnings of \$178.1 million. Its revenues in 2008 were \$2,549.5 million compared to \$2127.1 million in 2007. Sean Durfy, CEO of Westjet, said "We are pleased to see RASM [revenue available per seat mile] increase for the year given a 17 per cent increase in revenue passenger miles. ... Our low-cost focus along with the dedication of our more than 7,400 WestJetters will see us continue our growth;

<p>17. Aircraft movement statistics: Small airports [October 2008], February 12, 2009, www.statcan.gc.ca</p> <p>18. Air Canada reports 2008 fourth quarter and full year results, February 13, 2009, www.aircanada.com/en/about/media/facts/index.html</p> <p>19. Air Canada swings to loss, February 13, 2009, www.globeandmail.ca</p> <p>20. Air Canada to shrink after \$1-billion loss, February 13, 2009, www.globeandmail.ca</p> <p>21. Transat and WestJet agree amiably to terminate air transportation agreement, February 13, 2009, www.westjet.ca</p> <p>22. Air Fare [2006], February 13, 2009, www.statcan.gc.ca</p> <p>23. Singapore to stop direct Canada service, February 16, 2009, www.americanshipper.com</p> <p>24. Air Canada pins success on service, February 17, 2009, www.globeandmail.ca</p> <p>25. Air Canada may be forced into bankruptcy: Analyst, February 17, 2009, www.nationalpost.ca</p> <p>26. Air Canada revives "The Grand Tour" with new Europe Pass, February 18, 2009, www.aircanada.com</p> <p>27. Canada and Costa Rica successfully conclude air transport agreement, February 16, 2009, www.tc.gc.ca</p> <p>28. More Accidents But Fewer Fatalities in 2008, February 19, 2009, www.iata.org</p> <p>29. Aviation's Role in Economic Recovery, February 19, 2009, www.iata.org</p> <p>30. Japanese air forwarders face fines, February 23, 2009, www.joc.com</p> <p>31. Aircraft movement statistics: Major airports [January 2009], February 24, 2009, www.statcan.gc.ca</p> <p>32. Canadian airline profits to drop more than 80% in 2009: Report, February 25, 2009, www.nationalpost.ca</p> <p>33. Conference Board predicts worst year for airlines since SARS, February 25, 2009, www.nationalpost.ca</p> <p>34. Economic Gloom Continues in January Traffic, February 26, 2009, www.itat.org</p> <p>35. WestJet flies south for the summer, February 26, 2009, www.westjet.com</p> <p>36. Aircraft movement statistics: Small airports [November 2008], February 26, 2009, www.statcan.gc.ca</p>	<p>US</p> <p>1. BA cargo revenue up. February 6, 2009, www.joc.com</p> <p>2. British Airways books £127-million loss, February 9, 2009, www.globeandmail.ca</p> <p>3. Airline On-Time Performance Improves in 2008, February 10, 2009, www.dot.gov</p> <p>4. November 2008 Airline Traffic Data: System Traffic Down 12.8 Percent in November from 2007 and Down 3.5 Percent for January-to-November, February 12, 2009, www.dot.gov</p> <p>5. December 2008 [US] Passenger Airline Employment Data Down 6.7 Percent from December 2007, February 18, 2009, www.dot.gov</p> <p>6. EU Signs Civil Aviation Agreement with Pakistan, February 24, 2009, www.europa.eu</p>
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2009 should be another successful and profitable year for WestJet." WestJet's continued growth in 2009 is focused on developing code-sharing (Southwest Airlines and Air France and KLM). In addition it will implement a new loyalty and credit card program to further engage guests by creating products that are lucrative for flyers, easy to use and will benefit both frequent flyers and those guests who are new to WestJet.

15. WestJet profit slides 45.9%

WestJet Airlines Ltd.'s fourth quarter 2008 net income fell by 45.9% due to demand for air travel and weather-related expenses. The Calgary carrier reported a net income of \$40.8-million (32 cents a share), down from \$75.4-million (57 cents), for the same period last year. Analysts had expected 33 cents a share. However, last year's result included a one-time favourable tax gain of \$33.7-million.

16. WestJet profit falls as revenue rises

Westjet's 2008 net earnings declined to \$178.1-million from \$192.8-million in 2007. Shares in WestJet dropped nearly eight per cent to \$12.68 in morning trading on the Toronto Stock Exchange.

17. Aircraft movement statistics: Small airports [October 2008]

The number of take-offs and landings at the 116 airports without air traffic control towers reached 53,539 movements in October 2008, up 3.3% compared to October 2007.

18. Air Canada reports 2008 fourth quarter and full year results

On February 13, 2009, Air Canada released its financial statement for the fourth quarter of 2008 and for the calendar year 2008. Operating loss (before a provision for cargo investigations) was \$39 million in 2008 compared to operating income of \$433 million in 2007. Operating revenue was \$11,082 million in 2008 compared to \$10,646 million. For the fourth quarter of 2008 compared to the same period in 2007: operating loss was \$146 million compared to operating income of \$72 million; and operating revenue was \$2,498 million compared to \$2,513 million.

19. Air Canada swings to loss

Air Canada on February 13, 2009 indicated that its foreign exchange losses and high fuel costs resulted in the company *fourth-quarter* net loss of \$727-million, or \$7.27 per share, compared to a year-earlier profit of \$35-million, or 35 cents per share. For the *calendar year* net loss was \$1.03-billion, or \$10.25 per share, compared to earnings of \$429-million, or \$4.27 per share, booked in 2007.

20. Air Canada to shrink after \$1-billion loss

Air Canada plans to further shrink its network by cutting dozens of routes and trimming seat capacity between 2.5 and 3.5 percent after losing \$1-billion last year, raising concerns about its ability to combat the recession, fund its pension plan and meet union demands. While its reserve cash has fallen analysts feel it will be able to weather the storm. However, its major concern is labour, as its six year labour contract is due to end sometime in the middle of this year and there are also concerns about its pension fund.

21. Transat and WestJet agree amiably to terminate air transportation agreement

Transat A.T. Inc. and WestJet have mutually and amiably agreed to terminate an air transportation agreement on May 10, 2009 initially set to expire in 2010. The agreement allowed tour operator Transat Tours Canada, a Transat business unit, to charter WestJet aircraft to sun destinations. However, Transat and WestJet may enter into an ad-hoc charter agreement that would see WestJet offer Transat charter flying in the future.

22. Air Fare [2006]

The average domestic and international air fare (all types) paid by passengers was \$252.00 in 2006, up 0.3% from \$251.20 in 2005, continuing the upward trend that began in 2004. In 2006, 97.3% of passengers on domestic and international scheduled services flew on discount fares, up 0.5 percentage points from 96.8% in 2005.

23. Singapore to stop direct Canada service

Singapore Airlines announced on February 13, 2009 that it is indefinitely suspending its three-times-weekly service between Singapore and Vancouver, via Seoul, starting April 26, 2009 because the service has been hit hard by the economic downturn.

24. Air Canada pins success on service

Air Canada is becoming increasingly concerned about WestJet gaining market share from it. It has therefore assigned chief operating officer Bill Bredt to deliver cross-country talks urging staff to improve customer service amid competitive threats and the recession. Montie Brewer in message to employees said "The most important factor in determining our future success is customer service. This will be the battleground this year and in the years ahead." Given the current financial

picture and economic downturn Air Canada faces turbulent skies.

25. Air Canada may be forced into bankruptcy: Analyst

According to an analyst's report, mounting debt and pension obligations have once again raised the spectre of Air Canada being forced into bankruptcy just five years after it emerged from a similar restructuring.

26. Air Canada revives "The Grand Tour" with new Europe Pass

Air Canada is reviving the 'Europe Pass', the newest member of its growing family of flight passes. It will permit nine flights in Europe, is valid for a year and begins at \$2,994. It went on sale February 18, 2009.

27. Canada and Costa Rica successfully conclude air transport agreement

Canada's Transport Minister, John Baird, and Minister of International Trade, Stockwell Day announced on February 16, 2009 that a new open skies-type air transport agreement has been reached with Costa Rica. This new agreement is a win-win for Canada's air travel industry and consumers.

28. More Accidents But Fewer Fatalities in 2008

On February 19, 2008, the International Air Transport Association (IATA) announced the aviation safety performance for 2008. The total number of fatalities from aviation accidents dropped from 692 in 2007 to 502 in 2008. This resulted in a 56% improvement in the fatality rate from 0.23 fatalities per million passengers to 0.13 per million passengers. IATA indicated that safety is its top priority.

29. Aviation's Role in Economic Recovery

The International Air Transport Association (IATA) called on the new Obama Administration in the US to prioritise aviation as a catalyst to stimulate the US economy and to go beyond the airport investments in the White House Agenda. CEO of IATA said that "The US air traffic management system is in desperate need of an upgrade. Airlines and airports cannot be efficient economic catalysts if we operate in gridlock. I urge the President to allocate the US\$4 billion needed to get the ball rolling with the first phase of the long-awaited NextGen project that will create some 77,000 jobs in the US economy." IATA also called for policy changes in the areas of security, environment and commercial freedoms:

30. Japanese air forwarders face fines

The Japan Fair Trade Commission notified the nation's major international forwarders that they will face fines for forming a cartel to raise air cargo charges. Nippon Express, Kintetsu World Express and Yusen Air & Sea Service received advance notice from the antitrust authority. More than 10 companies, including the three forwarders, will be fined a total of about 10 billion yen (US\$106 million). It is believed that the companies formed a cartel to add fuel surcharges and airport security charges to air cargo service at meetings of the Japan Air cargo Forwarders Association from 2004 to 2007. They dissolved the cartel after investigations in the US and EU began in 2007.

31. Aircraft movement statistics: Major airports [January 2009]

Aircraft take-offs and landings at Canadian airports [93] with NAV CANADA air traffic control towers and flight service stations decreased 12.9% in January 2009 compared with the same month in 2008.

32. Canadian airline profits to drop more than 80% in 2009: Report

The Conference Board of Canada predicts that profits in Canada's airline industry are expected to drop by nearly 86% to \$106 million in 2009 as demand falls due to a lack of consumer and business confidence. Weak demand from the US and at home have been attributed to the sharp decline.

33. Conference Board predicts worst year for airlines since SARS

Not all Canadian carriers are expected to fair equally in 2009 according to the Conference Board of Canada, Air Canada is expected to turn in a loss of \$1.76 per share and WestJet Airlines Ltd. is expected to have a profit of about \$1.50 a share. Conditions in the Canadian airline industry, however, are expected to "improve considerably" in 2010 due to the Winter Olympics. The reason why the industry is not expected to suffer a loss is the decline in fuel costs. The predictions of the Board are expected to be in line with the forecasts made by IATA.

34. Economic Gloom Continues in January Traffic

Statistics from the International Air Transport Association for January reveals the continuing fall in traffic. International passenger demand fell by 5.6% in January 2009 compared to the same month in 2008. Despite capacity cuts of 2.0%, the load factor (72.8%) was 2.8% below that recorded for January 2008. The January 2009 fall in demand is the fifth consecutive month of contraction. The cargo markets fared even worse for January 2009 with a 23.2% year-on-year demand drop. This is the eighth consecutive month of contraction for freight traffic. The decline in passenger traffic was most for Asian carriers followed by North American carriers.

35. WestJet flies south for the summer

WestJet announced on February 26, 2009, a number of summer schedule enhancements, including non-stop service from Vancouver, Calgary, Edmonton, Toronto and Montreal to select sun destinations in Mexico, the Dominican Republic and Florida.

36. Aircraft movement statistics: Small airports [November 2008]

The number of take-offs and landings at the 116 airports without air traffic control towers reached 42,229 movements in

November 2008, down 13.1% compared with the 48,622 take-offs and landings for the 117 airports reported in November 2007.

WATER TRANSPORTATION

1. Hapag-Lloyd sale approved

European Union competition regulators approved the sale of Hapag-Lloyd to Albert Ballin, a Hamburg investment group on February 6, 2009. The 4.45-billion euros [\$5.7-billion] sale of the world's fifth largest ocean carrier by TUI, the German travel group did not raise any competition issue as the acquirer's were not involved in any overlapping business with Hapag-Lloyd.

2. Port Metro Vancouver [Statistics Overview 2008]

Port Metro Vancouver released its statistical report for 2008. The port handled 114.56 million tonnes of cargo in 2008 down 10% from the 2007 high of 127.84 million. The 2008 breakdown of cargo is: Bulk (73.08%); Breakbulk (20.56%); Containers (20.46%); and Auto (0.46%). It also contains other very useful statistics as listed in its table of contents. Its table of contents covers the following subjects: Overview; Vessel and Cargo Summary; Bulk Sector; Container Sector; Breakbulk Sector; Cruise Sector; Autos Sector; Principal Trading Economies; and Principal Commodities Traded.

3. Port Metro Vancouver Accumulated Container Traffic [YTD to January]

The Port Metro Vancouver released its accumulated container traffic report for January 2009. Total year-to-date traffic was 166,708 TEUs to January 2009, with a overall decrease of 10% (i.e., 18,803 TEUs) over the same period in 2008. Year-to-date imports (TEUs) decreased 14% and exports decreased 5%.

4. Update - BCMEA / ILWU 514 contract negotiations Feb 13

Negotiations between the British Columbia Maritime Employers Association and Local 514 of the International Longshore and Warehouse Union resumed on February 12th. On February 13, 2009, it was announced that the parties have reached a tentative settlement that will be subject to ratification by their respective memberships.

5. Vessel slapped with \$15,000 fine for P.E.I. oil spill

The BBC Nordland, a Gibraltar registered general dry cargo vessel, was docked at the Port of Summerside, P.E.I. in February 2008 and spilled about 300 litres of hydraulic oil during offloading operations. An investigation was carried out by Transport Canada and charges were laid against the vessel. The vessel pleaded guilty to the charge of illegal discharge of a pollutant in provincial court in Summerside and was subsequently fined \$15,000.

6. Cumulative Container Traffic Statistics [Montreal] January to December 2008

Cumulative container traffic (TEUs) for the Port of Montreal from January to December 2008 increased by 8.1% above 2007 levels. Inbound traffic increased by 8.0% and outbound traffic increased by 8.2% compared to a similar period last year.

7. Port of Montreal Container Traffic Statistics Fourth Quarter 2008

Container traffic (TEUs) for the Port of Montreal for the final quarter of 2008 increased by 3% above 2007 levels. Inbound traffic increased by 1.28% and outbound traffic increased by 4.6% compared to the same period last year.

8. St. Lawrence Seaway set for late March opening

U.S. and Canadian St. Lawrence Seaway authorities plan to open the shipping channel to the vessel navigation at Montreal/Lake Ontario and the Welland Canal on March 31.

Water Transportation

Canada

1. Hapag-Lloyd sale approved, February 6, 2009, www.joc.com
2. Port Metro Vancouver [Statistics Overview 2008], www.portmetrovancover.com
3. Port Metro Vancouver Accumulated Container Traffic [YTD to January], February 16, 2009, www.portmetrovancover.ca
4. Update - BCMEA / ILWU 514 contract negotiations Feb 13, February 13, 2009, www.portmetrovancover.com
5. Vessel slapped with \$15,000 fine for P.E.I. oil spill, February 17, 2009, www.ctl.ca
6. Cumulative Container Traffic Statistics January to December 2008, February, 2009, www.portofmontreal.ca
7. [Compiled from] Port of Montreal Container Traffic Statistics Fourth Quarter 2008, February 18, 2009, www.portofmontreal.ca
8. St. Lawrence Seaway set for late March opening, February 18, 2009, www.americanshipper.com

US

1. Senator Lines to cease operations, February 5, 2009, www.joc.com
2. TSA withdraws capacity amendment request with FMC, February 11, 2009, www.joc.com
3. OOCL to cut 25% of capacity, February 16, 2009, www.americanshipper.com
4. Morgan Stanley bearish on container shipping, February 19, 2009, www.americanshipper.com
5. UK ports delay expansion, cut jobs, February 23, 2009, www.joc.com

RAIL TRANSPORTATION

Canada

1. CN closes transaction to acquire Elgin, Joliet and Eastern Railway

On February 1, 2009, CN completed its acquisition of the principal lines of the Elgin, Joliet & Eastern Railway Company (EJ&E). The acquisition will generate greater rail efficiencies and overall environmental benefits for the Chicago region.

2. CN and Norfolk Southern announce MidAmerica Corridor initiative to speed freight between Midwest and Southeast

CN and Norfolk Southern (NS) announced on February 10, 2009 an initiative to create a "MidAmerica Corridor" in which the railroads will share track between Chicago, St. Louis, Kentucky, and Mississippi to establish shorter and faster routes for merchandise and coal traffic moving between the Midwest and Southeast. The three initiatives in it are: 1) NS will haul CN freight between Chicago and St. Louis, reducing the distance; 2) NS will use CN's routes between St. Louis and Fulton, Ky. saving more than 50 miles on NS shipments and 3) CN will haul NS freight between Chicago and Fulton, shortening the distance by almost 100 miles.

3. Norfolk Southern, CN to share north-south routes

On February 10, 2009, Norfolk Southern Railway and Canadian National Railway announced a tentative agreement to share track between Chicago, St. Louis, Kentucky and Mississippi to create shorter and faster routes for coal and merchandise moving between the Midwest and the Southeast. A key component of the new initiative will be upgrading the West Tennessee Railroad between Fulton and Corinth to handle heavier shipments and additional traffic. Completing this agreement, including obtaining approval for the exchange of trackage rights from the U.S. Surface Transportation Board, is expected in several months.

4. Prime Minister Harper and Premier McGuinty Announce Major Improvements to Go Transit System

Improved access to GO Transit will soon be available thanks to a joint investment between the Government of Canada and the Government of Ontario. The investment will create jobs, improve access to public transit and reduce congestion by adding parking capacity and erecting parking structures at 12 GO stations as well as upgrading rail lines to improve the reliability of the GO Transit network.

5. Canadian Pacific completes common share offering

Canadian Pacific Railway Limited announced it has completed its common equity offering of 13.9 million shares at \$36.75 per share for total gross proceeds of \$510.8 million.

6. CP Rail permanently cuts 37 jobs

To deal with the economic downturn, Canadian Pacific Railway, is permanently chopping 37 mechanical services jobs from its operations in southwestern Ontario. Work previously done in this area will be shifted to Toronto.

7. Canadian Pacific Railway Limited declares dividend

The Board of Directors of Canadian Pacific Railway Limited declared a quarterly dividend of \$0.2475 Canadian per share on the outstanding Common Shares, on February 18, 2009. It is payable on April 27, 2009.

8. CN announces US\$550 million debt offering

CN announced on February 18, 2009, a public debt offering of US\$550 million 5.55 per cent Notes due 2019. CN plans to use most of the estimated net proceeds to pay of outstanding commercial dues and indebtedness and to finance its recent acquisitions in the US and Canada.

9. Federal cash injection for VIA Rail earmarked, but not outlined

The government's announcement of \$407 million in new funding for VIA Rail will likely mean that rail commuters can expect some quicker trips in Central Canada together with renovated stations across the country. It could also mean a third track between Montreal, Ottawa and Toronto which could lead to improvement in service. There is also some rumour that some of VIA Rail's assets will be privatized. But plans are still being finalized.

10. Québec City-Windsor high-speed rail study

The Governments of Québec, Ontario and Canada announced on February 23, 2009 that a contract has been awarded to the EcoTrain Consortium to update the feasibility studies for high-speed rail in the Québec City-Windsor corridor. The \$3 million study will be funded equally by each government.

Rail Transportation

Canada

1. CN closes transaction to acquire Elgin, Joliet and Eastern Railway, February 1, 2009, www.cn.ca
2. CN and Norfolk Southern announce MidAmerica Corridor initiative to speed freight between Midwest and Southeast, February 10, 2009, www.cn.ca
3. Norfolk Southern, CN to share north-south routes, February 11, 2009, www.americanshipper.com
4. Prime Minister Harper and Premier McGuinty Announce Major Improvements to Go Transit System, February 17, 2009, www.mto.gov.on.ca
5. Canadian pacific completes common share offering, February 11, 2009, www.cpr.ca
6. CP Rail permanently cuts 37 jobs, February 18, 2009, www.cpr.ca
7. Canadian Pacific Railway Limited declares dividend, February 18, 2009, www.cpr.ca
8. CN announces US\$550 million debt offering, February 18, 2009, www.cn.ca
9. Federal cash injection for VIA Rail earmarked, but not outlined, February 23, 2009, www.nationalpost.ca
10. Québec City-Windsor high-speed rail study, February 23, 2009, www.tc.gc.ca
11. Railway carloadings [December 2008], February 25, 2009, www.statean.gc.ca

US/Europe

1. PPPs in rail infrastructure project, February 3, 2009, www.europa.eu

11. Railway carloadings [December 2008] The Canadian railway industry loaded 19.2 million metric tonnes in December 2008, a 10.3% decline from December 2007. Non-intermodal loadings dropped 10.1% to 17.3 million metric tonnes and intermodal loadings (containers and flatcar) fell 12.3% to 1.9 million metric tonnes. Rail freight traffic coming from the United States decreased to 2.4 million metric tonnes, down 10.8% from December 2007.

HIGHWAY TRANSPORTATION

1. Potential for privatizing Maritime bridge

New Brunswick Premier Graham is considering an arrangement with the Federal government that could lead to the privatization of the Harbour Bridge. Once ownership is transferred to the province it could then privatize it. A group of companies is undertaking upgrades on Highways near the Bridge and the Premier is interested in including the Bridge in the package.

2. Government of Canada enhances safety in the transportation of dangerous goods

On February 2, 2009, Canada's Transport Minister, John Baird, tabled amendments to the *Transportation of Dangerous Goods Act, 1992*, to enhance safety and security in the transport of dangerous goods. Key features of the proposed amendments are: reinforcing the existing Emergency Response Assistance Program; requiring security training and screening of personnel; drafting of regulations; enabling the use of security measures and interim orders; enabling the development of a program to require transportation security clearances for dangerous goods; and amending the definition of an importer to Canada.

3. November 2008 Surface Trade with Canada and Mexico Fell 13.8 Percent from November 2007

The value of trade using surface transportation between the NAFTA partners (US, Canada and Mexico) in November 2008, dropped to \$60.7 billion or 13.8% from November 2007, the biggest year-to-year decline in almost eight years. U.S.–Canada surface transportation trade totalled \$37.8 billion in November 2008, down 16.4 percent compared to November 2007.

4. Cross-border operations get a little leniency

The federal *Budget Implementation Act*, which was passed on February 3, 2009, contained a measure, which will increase flexibility in the use of foreign trucking equipment by Canadian carriers. The former provisions which technically required Canadian carriers to pay duty and taxes on U.S. trailers used in cross-border moves have now been expunged from the law. But, the length of time foreign equipment can remain in Canada has yet to be dealt with. Across the border, the U.S. Department of Agriculture is changing a new requirement for customs brokers and importers to declare the genus, species and country of origin for all goods entering the U.S. containing plant or wood products. The Federal Register incorporates the recommendations of the Canadian Transportation Alliance easing the new requirement. First, the ability to move freight does not have to be accompanied by a declaration inland and away from the border; second, there is an exception for goods moving under bond; third, consideration will be given for goods accompanying commercial drivers as personal effects; and finally, an electronic submission as opposed to paper declaration will be prioritized. This should prevent the potential disruption to legitimate trade.

5. Ryder opens Montreal pre-owned truck facility

A brand new retail used vehicle facility of four acre in the Vaudreuil-Dorion, Que. region west of Montreal has been opened by Ryder System Canada.

6. Vitran posts 4Q loss, but ends 08 in the black

In the final quarter of 2008, Vitran incurred a loss of US\$3.2 million, however, for the complete year its net income was US\$4.6 million. This is lower than its net income of \$13.7 million for 2007.

7. For-hire motor carriers of freight, top carriers

Highway Transportation

Canada

1. Potential for privatizing Maritime bridge, February 4, 2009, www.todaystrucking.com
2. Government of Canada enhances safety in the transportation of dangerous goods, February 2, 2009, www.tc.gc.ca
3. November 2008 Surface Trade with Canada and Mexico Fell 13.8 Percent from November 2007, January 29, 2009, www.dot.gov
4. Cross-border operations get a little leniency, February 4, 2009, www.todaystrucking.com
5. Ryder opens Montreal pre-owned truck facility, February 9, 2009, www.todaystrucking.com
6. Vitran posts 4Q loss, but ends 08 in the black, February 9, 2009, www.ctl.ca
7. For-hire motor carriers of freight, top carriers, February 11, 2009, www.statcan.gc.ca
8. Motor carrier revenue showing modest gain but costs remain an issue, February 11, 2009, www.ctl.ca
9. CTA and Petroleum Institute Issue Joint Statement: Biodiesel Mandates Need Review, February 6, 2009, www.ontruck.org
10. First time in two years gas is hot, diesel's not, February 12, 2009, www.todaystrucking.com
11. Improvements to the Dorval interchange, February 16, 2009, www.tc.gc.ca
12. Partners pool \$244 million to redevelop Dorval interchange, February 19, 2009, www.ctl.ca
13. Government of Canada announces safety regulations to support the International Bridges and Tunnels Act, 2007, February 18, 2009, www.tc.gc.ca
14. Large urban transit December 2008 (preliminary), December 23, 2009, www.statcan.gc.ca
15. 'The worst market in a generation': Industry forecaster, February 25, 2009, www.ctl.ca
16. Ambassador denied funding for twin bridge, February 26, 2009, www.todaystrucking.com
17. Contrans and Mullen increase revenue despite troubled economy, February 27, 2009, www.todaystrucking.com
18. Couriers and Messengers Services Price Index [January 2009], February 26, 2009, www.statcan.gc.ca

US

1. Freight Transportation Services Index (TSI) Fell 2.3 Percent in December from November, February 12, 2009, www.dot.gov
2. [U.S.]Truck-involved fatality stats fall again, February 17, 2009, www.todaystrucking.ca

The top 97 Canadian based for-hire trucking companies (\$25 million or more) generated operating revenue of \$2.6 billion and operating expenses of \$2.4 billion in the third quarter of 2008. Their operating ratio (operating expenses divided by operating revenue) was at 0.92 an improvement compared to 0.96 for the same period a year earlier.

8. Motor carrier revenue showing modest gain but costs remain an issue

For motor carriers (\$25 million+ annually), the year-over-year growth rates for operating revenues and for operating expenses were identical (+2.1% each) in the third quarter of 2008. The fact that costs have not been curtailed is an issue considering the current economic climate. Many analysts believe that making five cents on the dollar is right at the edge of what motor carriers need to stay healthy.

9. CTA and Petroleum Institute Issue Joint Statement: Biodiesel Mandates Need Review

The heads of the Canadian Trucking Alliance and the Canadian Petroleum Products Institute made a joint statement to the press on the subject of renewable fuels. They are of the view that the renewable fuels standard needs further debate after the release of the results of the Alberta Renewable Diesel Demonstration. There are two principal objectives that must remain top priorities in a renewable fuel strategy: the fuel choices must be dependable and they must make real contributions to the Canadian effort on climate change. Uniform and harmonized standards across provinces and distribution facilities must be in place. As a result, there is still much work to be done.

10. First time in two years gas is hot, diesel's not

The North American trucking slump is directly resulting in falling diesel prices -- so much so, that diesel costs at the pump are expected to fall below gasoline for the first time since 2007. Diesel consumption so far this year is negative 3.7 percent (leading to a 10 percent jump in inventory) compared to gasoline's consumption which is negative of 0.5 percent.

11. Improvements to the Dorval interchange

Government officials announced on February 16, 2009 an investment of \$224 million to carry out the Dorval interchange redevelopment project — including the Dorval traffic circle and links between the Highway 20 and 520 interchange. This investment will help the recurring congestion problems in Dorval.

12. Partners pool \$244 million to redevelop Dorval interchange

A group of government and transportation partners will pay \$224 million towards the Dorval interchange redevelopment project, which includes the Dorval traffic circle and the Highway 20 and 520 interchange. The contribution will be as follows: \$89m. from Transports Québec; \$50m. from the federal government; \$40m. from Ville de Montréal; \$20m. from Aéroports de Montréal; and \$20m. from Public Transit Capital Trust 2008. The five-phase redevelopment will go on till 2013.

13. Government of Canada announces safety regulations to support the *International Bridges and Tunnels Act, 2007*

On February 18, 2009, Transport Canada reported that regulations are now in effect requiring owners of Canada's 24 international bridges and tunnels to inspect and report to the Minister of Transport on the safety of their structures on a regular basis.

14. Large urban transit December 2008 (preliminary)

Combined ridership and revenue levels for the 10 largest urban transit systems (80% of total urban transit) in Canada rose 1.5% to 114.4 million passenger trips in December 2008 compared with the same month in 2007. This pushed revenue (excluding subsidies) up 3.4% from December 2007 to \$205.7 million.

15. 'The worst market in a generation': Industry forecaster

Industry forecaster FTR Associates has once again downgraded its outlook for the North American transportation industry. They predict that the continued economic deterioration will result in a drop of 10% freight transportation for 2009.

16. Ambassador denied funding for twin bridge

The private owner of the Windsor-Detroit River suffered a setback to his plans to twin the existing crossing. According to several media reports, his request to the Michigan Strategic Fund Board to serve as the conduit for a bond issue that would have raised almost \$800 million to pay for the second span was declined by the Board.

17. Contrans and Mullen increase revenue despite troubled economy

Two of Canada's largest trucking operations increased revenue during 2008. The Alberta-based Mullen Group Income Fund generated record consolidated revenues of approximately \$1.3 billion, due to the success of its acquisitions. Contrans Income Fund, increased revenue in 2008 to \$488.8 million, up from \$485.9 million in 2007.

18. Couriers and Messengers Services Price Index [January 2009]

The Couriers and Messengers Services Price Index increased 3.0% in January 2009 from the previous month to 139.8 (2003=100). The courier portion rose 4.5%, while the local messengers component was down 3.5%.

GENERAL

1. Canada posts first trade deficit in over 30 years

In December 2008, Canadian exports and imports dropped but the former faster than the latter. As a result, Canada posted a trade deficit of \$458 million compared with a surplus of \$1.2 billion in November. This, according to *Statistics Canada*, was the first trade deficit since March 1976.

2. Travel between Canada and other countries [December 2008]

Overall, travel both to and from Canada declined in December 2008 compared with the preceding month and also compared to the same period in 2007. Visitors made 2.27 million trips to Canada in December, up 0.7% from the preceding month but down 9.9% from the same month in the previous year. Travel from the 'United States' and 'other countries' in December increased 0.7% and 0.8%, respectively from

November. Canadians made 3.9 million trips abroad in December, down 2.5% from the preceding month. Trips to the US declined (4.1 %) and trips to other countries increased (4.4 %).

3. Characteristics of international travellers [Third quarter 2008 Preliminary]

Visitors from the United States made 5.2 million overnight trips to Canada during the third quarter of 2008, the lowest third-quarter level since records were first kept in 1972. The decline together with spending was in nearly all categories of visitors. On the other hand, Canadian residents took 6.1 million overnight trips to the United States, up 4.6% from the third quarter of 2007. Travel to Canada from other countries rose 1.1% and travel from Canada to other countries rose 7.2% during the third quarter of 2008 from the third quarter of 2007.

4. International travel account [Fourth quarter 2008 (preliminary)]

Canada's international travel deficit was \$3.1 billion in the fourth quarter of 2008, down \$76 million from the previous quarter. Foreign travellers spent \$4.1 billion in Canada and Canadians travelling outside the country spent \$7.2 billion.

5. Freight Demand Outlook Conference Media Coverage

The picture painted at the Conference was gloomy for the short term given the fall in demand for the resource sector. The crisis is global. There are challenges ahead. However, delegates from Asia returned with an optimistic outlook.

General Canada

1. Canada posts first trade deficit in over 30 years, February 12, 2009, www.todaystrucking.com
2. Travel between Canada and other countries [December 2008], February 19, 2009, www.statcan.gc.ca
3. Characteristics of international travellers [Third quarter 2008 Preliminary], February 25, 2009, www.statcan.gc.ca
4. International travel account [Fourth quarter 2008 (preliminary)], February 26, 2009, www.statcan.gc.ca
5. Freight Demand Outlook Conference Media Coverage, February 25, 2009, www.westac.ca

Publications

1. CAC Newsletter - January-February, 2009, www.cacairports.ca
2. "European policy on the Rail Freight Market: Competition and Coordination", The North American Center for Transborder Studies at Arizona State University (NACTS) and the North American Transportation Competitiveness Research Council, February, 2009.

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