

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Air Freight Growth Dips Sharply

The International Air Transport Association (IATA) indicated a significant drop in cargo growth to 1.3% while passenger traffic grew 6.0% for May 2008. Cargo demand is down considerably from the 4.3% recorded for the full year 2007. The biggest cause of the slow growth came from a 0.5% contraction in Chinese and Japanese carrier traffic. Passenger growth is down but by a smaller amount.

### 2. Oil costs will kill bargain airlines, Milton says

Robert Milton, CEO of ACE, sees the end of an era of cheap airfares as record-high oil prices erode travel demand and reshape the world's airline industry. He predicted that this issue is truly global and a number of airlines will disappear.

### 3. WestJet Kicks Off the Summer With \$19 Flights

WestJet announced on July 2, 2008 a two-day \$19 seat sale for travel within the eastern triangle. Guests travelling between Montreal and Toronto and between Ottawa and Toronto can take advantage of the \$19 fare by booking on July 2 and 3, 2008, for travel until September 30, 2008.

### 4. WestJet Kicks Off the Summer With \$59 Flights

WestJet announced on July 2, 2008, a two-day \$59 seat sale for flights between Calgary or Edmonton and Vancouver or Abbotsford. Guests can take advantage of this \$59 fare by booking on July 2 and 3, 2008, for travel until September 30, 2008.

### 5. As rivals cut, WestJet sees an opening

Calgary-based WestJet Airlines Ltd. is looking to expand while competitors contract. It is searching for opportunities where they have abandoned routes. This follows a statement on July 3, 2008, by Jazz that it will cut its capacity by 5 per cent and eliminate 270 jobs because of soaring fuel costs and service cuts announced two weeks ago by its primary customer, Air Canada.

### 6. WestJet Says, "Why Drive ...?" With Sizzlin' Seat Sale

On July 7, 2008 Westjet announced a two-day \$39 seat sale for flights between Regina and Winnipeg, Saskatoon and Winnipeg, two-day \$39/\$69 seat sale for Winnipeg-Regina or Saskatoon and Winnipeg-Hamilton, and a two-day \$69 seat sale for flights between Hamilton and Winnipeg. These fares are available for booking on July 7 and 8, 2008, for travel until September 30, 2008. For further details check the website.

### 7. Air Canada route shrinkage continues

Air Canada has continued shrinking its route network to combat high fuel prices, cancelling or scaling back service to four more destinations - Toronto to Madrid, daily flights from Vancouver to Beijing and Vancouver to Shanghai, and flights from Toronto to Tel-Aviv. On June 30, 2008, Air Canada announced 12 cancellations and suspensions to routes ranging from Trinidad to Comox, B.C.

### 8. Air Canada reports June traffic; Traffic grows at Canada's largest airline

Air Canada reported a load factor of 83.1 percent for June 2008, 0.3 points lower than that recorded in June 2007. The main line carrier flew 2.8 percent more revenue passenger miles (RPMs) in June 2008 than in June 2007. Air Canada's capacity increased by 3.3 percent for June 2008. Jazz's capacity for June 2008 decreased 3.6 per cent, resulting in a load factor of 73.2 percent, compared to 76.6 percent in June 2007, a decrease of 3.4 points. On a combined basis (Air Canada and Jazz), system

## Current Developments in Brief

### Air Transportation

#### CANADA

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10. Government of Canada Provides Funding for Airport Safety in Northern Alberta, July 8, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
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13. WestJet Announces June Traffic Results with a 76.5 Load Factor, July 8, 2008, [www.westjet.ca](http://www.westjet.ca)
14. CHC Helicopter takeover gets Investment Canada nod, July 8, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
15. Airship's time has come, again, National Post, July 8, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
16. Air Canada to cut 630 flight attendants, July 9, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
17. U.S. Transportation Secretary Peters Announces New Near and Longer Term Measures to Help Aviation Industry Struggling with High Fuel Costs, July 11, 2008, [www.dot.gov](http://www.dot.gov)
18. Airline CEOs ask customers for help over high fuel prices, July 14, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
19. Airlines boost calls for oil speculation crackdown, July 11, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
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22. WestJet: Regina is off to Vegas, baby!, July 17, 2008, [www.westjet.ca](http://www.westjet.ca)
23. Taxes Don't Reduce Emissions, July 16, 2008, [www.iata.org](http://www.iata.org)
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traffic rose 1.9 per cent on a capacity increase of 2.7 percent, resulting in a load factor of 82.2 percent for June 2008, 0.6 percentage point lower than a year earlier. International traffic (RPMs) increased by 5.4% for the same period on a capacity increase of 5.1%.

#### **9. Government of Canada Provides Funding for Airport Safety in Fort Chipewyan**

Fort Chipewyan Airport will receive funding up to \$685,000 to enhance safety. The funding under the Airports Capital Assistance Program is to cover the cost of wildlife control fencing.

#### **10. Government of Canada Provides Funding for Airport Safety in Northern Alberta**

Airports (Grand Prairie and High Level) in Northern Alberta will receive funding up to \$749,479 to enhance safety. The funding under the Airports Capital Assistance Program is for new equipment.

#### **11. WestJet and Southwest Airlines Announce Signing of Agreement**

WestJet on July 8, 2008 announced it has signed a memorandum of understanding to build a distribution and codeshare agreement with U.S. based Southwest Airlines. This memorandum of understanding is the first step that will see both airlines, by late 2009, have the ability to commence codeshare flights across both networks. In the near future, southwest.com will become a distribution channel for WestJet's existing Canadian and transborder flights. Other potential opportunities within the agreement include purchasing, ground handling, marketing and selling to corporate accounts and other areas of mutual gain. WestJet President and CEO called it a "Defining moment," for the company.

#### **12. WestJet strikes alliance with Southwest**

WestJet Airlines Ltd. has reached an agreement with U.S.-based Southwest Airlines that will allow the two low-cost carriers to sell seats on each others' flights, significantly expanding North American market access for both carriers and offering "seamless service" to customers. Westjet has 3,400 flights a day to locations in the U.S. WestJet shares jumped up more than 11 per cent, to \$14.10. WestJet CEO said "It's a great marriage."

#### **13. WestJet Announces June Traffic Results with a 76.5 Load Factor**

Westjet on July 8, 2008 announced that its June 2008 traffic results indicated: a load factor of 76.5 per cent (a decline of 3.4 points compared to June 2007); available seat miles of 1.448 billion miles (a capacity increase of 23.1 per cent compared to June 2007); and revenue passenger seat miles of 1.108 billion miles (an increase of 17.9 per cent compared to June 2007). This capacity increase is the largest percentage increase for the airline since November 2006.

#### **14. CHC Helicopter takeover gets Investment Canada nod**

The \$3.7 billion takeover of CHC Helicopter Corp. by American private equity firm First Reserve Corp. has received Investment Canada approval. CHC Helicopter is the largest supplier of helicopter services to the global oil and gas industry. It operates a fleet of more than 300 helicopters in 30 countries. Transportation regulatory approvals in Canada and Europe have yet to be obtained.

#### **15. Airship's time has come, again**

Boeing Co. will unveil a new partnership on July 8, 2008 with a little-known Alberta company aimed at developing a state-of-the-art airship, which it hopes will provide a fuel-efficient and relatively inexpensive alternative for lifting heavy cargo to remote

oil and gas sites in the Arctic and Alaska. Barry Prentice, a professor of supply chain management at the University of Manitoba, estimates there is a demand for at least 90 airships in Canada by 2015. However, in a high-demand scenario, where the forestry sector and other resource exploration firms hop on board too, that number could jump to over 700.

#### **16. Air Canada to cut 630 flight attendants**

Air Canada has confirmed it will lay off more than 630 flight attendants this fall in Vancouver, Halifax, and Winnipeg. The layoffs are part of a company-wide round of 2,000 job cuts, initially announced in mid-June 2008.

#### **17. U.S. Transportation Secretary Peters Announces New Near and Longer Term Measures to Help Aviation Industry Struggling with High Fuel Costs**

To help the U.S. aviation industry which continues to struggle with high fuel prices, U.S. Transportation Secretary Mary E. Peters announced on July 10, 2008 a new tool to help airports and airlines alleviate delays and fuel-wasting congestion,

26. WestJet Comments on a Newspaper Report of Potential Fraud at Toronto Pearson International Airport Check-In Kiosks, July 23, 2008, [www.westjet.ca](http://www.westjet.ca)  
27. Air Canada applies for U.S. antitrust immunity to facilitate partnership with Continental Airlines, Lufthansa and United Airlines, July 23, 2008, [www.aircanada.ca](http://www.aircanada.ca)  
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35. WestJet books higher profit, July 30, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)  
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and helped kickoff a new X Prize competition to stimulate private sector innovation in developing an alternative to jet fuel. The Department's final rates and charges policy has been amended. Aircraft landing fees instead of being based simply on the weight of the plane, can now be based on time of day. To help lower finance costs of constructing new projects, these costs can be now included in landing fees before the project is completed, formerly it could be included only after the project was completed. Market incentives can also be created to spread flights throughout the day. The competition is expected to lead to the development of a renewable alternative to jet fuel.

#### **18. Airline CEOs ask customers for help over high fuel prices**

Major U.S. airlines asked customers on July 11, 2007 to lobby Congress on legislation to curb speculation in energy markets. They believe that speculation is to blame for a 50 per cent jump in fuel costs this year. They believe that more regulation is required to control oil market speculation.

#### **19. Airlines boost calls for oil speculation crackdown**

As oil prices soared to a new record-high on July 11, 2008, U.S. airlines and shipping companies stepped up calls for a crackdown on financial speculation in energy markets, which they blame for pushing up fuel costs. The Stop Oil Speculation coalition of nearly 40 airlines, trucking companies and unions said that lawmakers must close loopholes that allow traders to skirt federal restrictions on the purchase of contracts for oil and other commodities. It is not known what effect investors have had on prices. The airlines expect to lose \$10 billion as a result.

#### **20. Expanded international air service possible with longer border service hours**

The Canadian Airports Council has commended the government for expanding border service hours at three Atlantic Canada airports - Charlottetown, Fredericton and Moncton. It will enable the provision of expanded international air service together with trade and tourism opportunities that result.

#### **21. WestJet Introduces New Seat Selection Option**

WestJet announced on July 16, 2008, the introduction of a new seat selection option, which for a small fee (\$10 or \$15), will allow guests to choose where they will be seated at the time of booking, or up to 24 hours before their flight departs.

#### **22. WestJet: Regina is off to Vegas, baby!**

On July 17, 2008, WestJet announced new seasonal non-stop service from Regina to Las Vegas starting September 8, 2008. This new non-stop flight will operate twice weekly on Mondays and Fridays.

#### **23. Taxes Don't Reduce Emissions**

IATA's Director General and CEO, addressing the Farnborough International 2008 Sustainable Aviation Briefing said "Taxes don't reduce emissions. Only better operations and technology can do that." Accordingly he called on governments to abandon punitive environment taxes and instead support global environment solutions that will actually reduce aviation's 2% of global carbon emissions.

#### **24. World's 10 best airports**

Airports in Asia top the list as the best airports in the world. The first is Hong Kong International Airport followed by Singapore, Seoul in Korea, Kansai in Japan, Kuala Lumpur in Malaysia, Munich in Germany, Copenhagen in Denmark, Zurich in Switzerland, Helsinki in Finland and Cape Town in South Africa.

#### **25. Aircraft movement statistics: Major airports [June 2008]**

Aircraft take-offs and landings at airports with NAV CANADA air traffic control towers and flight service stations edged up 0.6% in June 2008 compared with June 2007. These 95 airports reported 566,679 movements compared with 563,092 in the same month last year.

#### **26. WestJet Comments on a Newspaper Report of Potential Fraud at Toronto Pearson International Airport Check-In Kiosks**

WestJet announced on July 23, 2008 that it will disable its credit card check-in functionality at all airport kiosks across Canada. This action was in response to customer credit card information potentially emanating from self-serve check-in kiosks at Toronto's Pearson International Airport.

#### **27. Air Canada applies for U.S. antitrust immunity to facilitate partnership with Continental Airlines, Lufthansa and United Airlines**

Air Canada announced on July 23, 2008 that together with other Star Alliance partners it has applied for antitrust immunity in the U.S. as a first step toward creating a new joint venture with Continental Airlines, United Airlines and Lufthansa.

#### **28. Canada airports win approval for cargo transshipments**

The Toronto Pearson International Airport, won approval for transshipment of international air cargo together with the international airports at Halifax, Nova Scotia, and Prince George, British Columbia. The program allows air cargo to be moved through Canada for shipment to third countries. Any foreign carrier can be authorized to use Toronto or other

approved airports to transship international air cargo, even if Canada and the carrier's country do not have an air transport agreement. The program already is in effect at Montreal, Vancouver, and eight other cities.

### **29. Air Canada builds partnership with Continental Airlines to provide expanded network, frequent flyer benefits and lounge access**

Air Canada announced on July 24, 2008 that it has reached an agreement in principle with Continental Airlines, the fourth largest carrier in the United States, to provide customers an enhanced travel experience through access to a broader network and seamless services provided in cooperation by the two carriers. Customers travelling to the United States will have a vast array of enhanced travel benefits including more choice of destinations, new routings, expanded frequent flyer benefits and lounge access for eligible customers. At the same time, Air Canada is expected to achieve greater efficiencies so that they can compete more effectively.

### **30. Air Canada lays groundwork for trans-Atlantic alliance**

Air Canada said on July 24, 2008 that it had laid the groundwork for a new trans-Atlantic partnership with Continental Airlines, United Airlines, and Lufthansa. The first two plan to join the Star Alliance in late 2009. It is a way for the airlines to realize greater efficiencies and compete more effectively at a time of soaring fuel prices. The primary advantage is that each carrier will be able to leverage their presence in their home markets to help fill the other airlines' capacity. The airlines have applied for anti-trust immunity in the United States.

### **31. Air Canada comments on decision by Minister of Labour**

On June 17, 2008, Air Canada announced a reduction in capacity of seven per cent in response to record high fuel prices. The labour code sets out a process for implementing layoffs of more than 50 people and that process does permit employers to seek exemptions from certain aspects of the act. Air Canada requested a waiver from the Labour Code process because the Air Canada Collective Agreements contain provisions for mitigation in these situations. The Minister of Labour declined Air Canada's request to waive the application of Division 9 under the Canada Labour Code to the company's layoffs. Air Canada believes that it meets the standard for waiver.

### **32. Second air cargo executive receives prison sentence**

The highest-ranking SAS Cargo executive in the US - admitted conspiring with rivals to fix prices of air cargo rates between 2005 and 2006, when he was area director for sales and marketing in North America. He agreed to plead guilty and serve six months in prison. The first individual to plead guilty to price-fixing in this investigation was a former executive of Qantas Airways, in May 2008. He agreed to serve eight months in prison, and to pay a criminal fine.

### **33. BA executives face UK prosecution**

According to the *Global Competition Review* four executives implicated in a cartel that fixed the price of fuel surcharges on transatlantic flight could face criminal prosecution in the UK.

### **34. WestJet: Here Comes the Sun**

On July 29, 2008, WestJet and WestJet Vacations announced the introduction of seasonal non-stop service to two new international sun destinations in Mexico: Cancun and Puerto Vallarta. These new sun destinations are part of WestJet's enhanced winter schedule, which also includes increased frequency to Los Angeles, Las Vegas, Phoenix, Palm Springs, Orlando, Honolulu, Maui, Cabo San Lucas and Mazatlan (Mexico), and Nassau (Bahamas).

### **35. WestJet books higher profit**

WestJet Airlines Ltd. reported that its second-quarter profit increased to \$30.2-million from \$11.5-million a year earlier. The airline's diluted earnings per share for the second quarter were 23 cents, up from 9 cents in the same period last year. These positive results would not have appeared as good if a one-time impairment charge (Aires reservation writedown) had not dragged down the quarterly results last year. WestJet chief executive officer Sean Durfy said "We are very pleased with another quarter of results that will be among the best in North America. We feel confident we can continue to grow profitably and gain further market share domestically, transborder and internationally." He expects Westjet to continue on its expansion path with increased seat capacity despite the rise in fuel costs.

### **36. WestJet sees more headwinds to come**

Despite the better than expected financial results, WestJet's view of the immediate future is not very promising. It sees some waning demand in forward bookings with the current economic uncertainty, and that passengers are booking further out possibly to avoid further increases to the airlines recently implemented fuel surcharges. The adverse effect of the latter is that last-minute bookings -- which also carry the highest fares -- are slipping. It nevertheless indicates that it is committed to its growth strategy.

## WATER TRANSPORTATION

### 1. EU adopts guidelines for liner data-sharing

On July 1, 2008, the European Commission announced that it has adopted guidelines that will govern the maritime transport sector following the repeal of the liner industry's exemption from antitrust regulation on Oct. 17, 2008. The rules allow the liner industry to collect and share information about supply and demand that will be available to the public. They will also permit the industry to publish information about the costs that go into the makeup of bunker and other surcharges.

### 2. Port of Montreal Cumulative containerized traffic summary [January to May]

Inbound, outbound and total number of TEUs at the Port of Montreal from January to May 2008 were 273,549, 319, 332 and 592,881, respectively. This represents a 6.4%, 7.9% and 7.2% increase compared to the same period in 2007.

### 3. Potash plans please ports

Canpotex Ltd., the Saskatchewan potash export agency, is set to nearly double potash shipments through two West Coast Canadian ports. It plans to spend more than \$500 million to increase shipping capacity from 12 to 23 million tonnes per year. The tonnages will be shipped through Neptune Bulk Terminals in North Vancouver and Ridley Island near Prince Rupert.

### 4. The Government of Canada to Restrict Navigation on Lakes in Quebec, Ontario and British Columbia

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities announced on July 3, 2008 proposed amendments to the Vessel Operation Restriction Regulations, which improve safety and protect the environment by restricting vessel navigation. The specific areas impacted are: The Columbia Wetlands in southeastern British Columbia; Lac Nairne, Lac Bleu, Lac Saint-François-Xavier and Lac des Bees-Scie in Quebec; and Kempenfelt Bay, Lake Simcoe, in Ontario.

### 5. CN welcomes added vessel call at Port of Prince Rupert container terminal

CN welcomed the arrival on June 9, 2008 of a second weekly steamship alliance vessel at the Port of Prince Rupert. The COSCO/K-Line/Yang Ming/Hanjin (CKYH) alliance will now ship Hong Kong, South China, East China and North China cargoes, as well as those from Yokohama, to North America via Prince Rupert.

### 6. Exports boost Seaway traffic

Global demand for steel is producing strong shipments of iron ore along the St. Lawrence Seaway to traditional North American customers and China. By the end of June 2008 iron ore exports had moved ahead of June 2007. As a result overall traffic was 13.71 million metric tons through June 2008 compared to 14.08 million tons for the same period in 2007.

### 7. Port of Vancouver Accumulated Traffic Report [Year to Date - June 2008]

The Port of Vancouver released its accumulated container traffic report for June 2008. Total year-to-date traffic was 1, 223, 390 TEUs for June 2008, a increase of 4% over June 2007. Year-to-date imports (TEUs) increased by 4% and exports increased by 5%.

### 8. Global demand fuels export sales of US, Canada ore

Strong world demand and high prices are creating new export opportunities for iron ore moving from Minnesota's Iron Range via the Great Lakes and St. Lawrence Seaway to Europe and China. There are larger shipments of ore going overseas and to Canada and also of coal going to European steel mills.

## Water Transportation

### Canada

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2. Port of Montreal Cumulative containerized traffic summary [January to May], July 2, 2008, [www.portofmontreal.ca](http://www.portofmontreal.ca)
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12. Prince Rupert boxes up, July 24, 2008, [www.joc.com](http://www.joc.com)
13. End of conferences in Europe may produce volatility in rates and surcharges, *The Journal of Commerce*, July 14, 2008, pp. 38-39.
14. Antitrust immunity is discussed in Washington, but don't expect congressional action soon, *The Journal of Commerce*, July 14, 2008, pp. 10-13.

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7. NOL, Hamburg consortium vie for Hapag-Lloyd, July 22, 2008,

## **9. Semi-Annual 2008 Statistical Analysis for the Port of Halifax**

The Port of Halifax has experienced a decline in cargo volumes in the first half of the year. Overall total TEU's year-over-year have decreased -16.3% for the first six months. The reasons are: the 2007 loss of two weekly services; the high Canadian dollar relative to other currencies; the weakening US economy impact on export and import cargo volumes; the high cost of bunker fuel and the effect on overseas sourcing (\$152 (USD) a tonne in 2003 compared to \$635 (USD) a tonne in 2008)- on freight rates; and the continued consolidation of international shipping lines.

## **10. Port of Halifax Accumulated Traffic Report [Year to Date - June 2008]**

The Port of Halifax released its accumulated container traffic report for June 2008. Total year-to-date traffic was 203,910 TEUs for June 2008, a decrease of 16.3% over June 2007. Year-to-date imports (TEUs) decreased by 16.1% and exports decreased by 16.4%.

## **11. More than talk - Antitrust immunity is discussed in Washington, but don't expect congressional action soon.**

On October 17, shipping carriers in Europe will no longer be able to get together and fix rates as the European Commission has revoked the carrier's exemption from competition laws. The recent scrutiny of the Federal Maritime Commission by the House Transportation and Infrastructure Committee has brought antitrust immunity to congressional attention but action is not expected too soon. Commissioner F. Dye thinks its time to consider the next stage to ocean transportation deregulation; Commissioner H. Creel wants to wait and see what happens in Europe; and Commissioner J. Brennan is philosophically opposed to antitrust immunity. The industry is also divided on the issue. Marine terminal operators want it retained and shippers want it removed. Elsewhere, other countries - Japan, Korea and other Asian countries - are considering abolishing the antitrust immunity.

## **12. Prince Rupert boxes up**

The Port of Prince Rupert handled 42,555 TEUs during the first six months of the year, as box tonnage steadily increased through the Fairview Container Terminal.

## **13. End of conferences in Europe may produce volatility in rates and surcharges**

Conferences will become illegal on October 18, 2008 in Europe. However, the European Commission has issued guidelines what carriers can do but there is still disagreement over the guidelines as shippers view sharing of information on supply and demand an invitation to collude. This is expected to make negotiations over rates and surcharges more difficult in the beginning and freight rates will become more volatile. It has also raised a number of questions? Will freight rates rise or fall? Will carriers be able to negotiate their individual surcharges for fuel and other fluctuating costs that were once determined by conference tariffs? Will customer service improve as carriers try to differentiate their services on more than price alone?

## **14. Antitrust immunity is discussed in Washington, but don't expect congressional action soon**

The House Transportation and Infrastructure Committee has brought antitrust immunity to congressional attention. However, not much action is expected soon due to the upcoming election. Despite the fact that 10 years have elapsed since the shipping act was last revised and changes have been made in Europe there is no consensus yet. One of the key architects of the act believes that the industry and shipping public should give their opinion before any changes are made.

## **RAIL TRANSPORTATION**

### **Canada**

#### **1. CN cuts Halifax port trains**

Canadian National Railway has reduced the number of daily trains serving the Port of Halifax from two to one due to weaker container traffic at the port. However, this will not affect the capacity of the trains to handle the present volume. The port has lost two weekly calls by container lines in the past year -- the round-the-world service operated by China Shipping Container Lines, and Maersk Line's MECL2 service. Container volume fell 16.3 percent in the first half of 2008.

#### **2. CN, CP to upgrade Deltaport intermodal operations**

Canadian National Railway and Canadian Pacific Railway announced on July 18, 2008 an agreement allowing the Deltaport Division of a jointly owned rail subsidiary to manage rail switching operations for both carriers' intermodal trains at the Deltaport container terminal at Roberts Bank, south of Vancouver. Keith Creel, CN executive vice president,

operations said "Deltaport Division will streamline the logistics chain at the terminal, generating greater efficiencies in the overall rail and port operation." The railroads move approximately 70,000 TEUs into and out of Deltaport each month.

### 3. Railways expected to pick up speed

It's been a tough first half year for Canadian railways due to a number of factors notwithstanding the fact that shares have been up by 10% for CN and 4% for CP. For the second quarter, analysts are predicting a profit of 87 cents a share for CN down from last year's profit of 95cents. For the same quarter, CP has forecasted a profit of \$1, down from \$1.12 last year but an analyst is predicting 92 cents a share, with the expected fuel and currency charges. He indicated that "While these headwinds will likely result in another weak quarter, we believe the worst is behind the railway and we expect to see strong results in the second half of 2009."

### 4. CN announces new share repurchase program, declares third-quarter 2008 dividend

CN announced on July 21, 2008 that its Board of Directors has authorized purchase of up to 25 million, or 5.3 per cent, of the common shares outstanding of the Company not held by its insiders on July 14, 2008. Approximately 473.4 million CN common shares were issued and outstanding on that date. A third-quarter 2008 dividend of twenty-three cents (C\$0.23) per common share will be paid on Sept. 30, 2008, to shareholders of record at the close of business on Sept. 9, 2008.**5. CN reports Q2-2008 net income of C\$459 million, or C\$0.95 per diluted share, including deferred income tax recovery of C\$0.05**

CN announced its second-quarter results for 2008, on July 21, 2008. The highlights for the second quarter compared to the same period in 2007 were: net income of C\$459 million, down 11%; operating income of C\$707 million, down 13%; and operating ratio of 66.3, an increase of 6.3 points. Second-quarter 2008 revenues increased four per cent to C\$2,098 million. Operating expenses for the quarter increased by fourteen per cent to C\$1,391 million. The strong Canadian dollar, weakness in the forest and automotive sectors affected the second quarter results. Operating expenses increased as a result of increases in fuel costs, purchased services and material, and casualty and other expenses.

### 6. CN says it's not tied to Chicago deal

On July 21, 2008, Canadian National Railway Co. indicated that it's willing to abandon plans to acquire a Chicago-area rail carrier if too many strings are attached to the purchase while announcing its second-quarter results for 2008. CN's efficiency worsened amid a weakness in shipments of forest products and autos in the second quarter. Analysts are forecasting a solid performance this year, despite headwinds such as the U.S. economic slowdown and flooding in the Midwest. CN expects continued strength in areas such as petroleum, chemicals, metals, minerals, coal, grain and fertilizers.

### 7. CN profit drop 11% on loonie, fuel costs

Canadian National Railway Co. hopes to pick up steam in the latter half of the year, despite a 11% drop in its second quarter earnings. Its profit during the quarter were down because of a strong loonie eroding the value of its U.S.-based revenue, a continued decline in the forestry and auto sectors, and the rapid rise in the price of fuel. Its 95 cents per diluted share was higher than the estimates of 89 cents a share. One analyst said "there is no reason to doubt that the railway will make another run once the current volatility subsides. These are very hard times and you have to expect pain, but I think this is the best managed railroad in North America and at times like this it shows."

### 8. Canadian Pacific announces its second-quarter results

Canadian Pacific Railway announced its second-quarter results on July 22, 2008. For the second quarter: net income decreased to \$154.9 million, a increase of 40% when compared to same period in 2007; operating ratio was 79.4 per cent, a increase of 4.7 points; freight revenue was \$1.19 billion, a increase of 1.6 per cent; and operating expenses were \$969.2 million, up by 61.4 million or 6.8%. Fred Green, CP's President and CEO said "This was a tough quarter with the unprecedented rise in fuel prices, the North American economic downturn, and prolonged flooding on our US mainline. Combined, these had a significant impact on CP's earnings."

## Rail Transportation

### Canada

1. CN cuts Halifax port trains, July 14, 2008, [www.joc.com](http://www.joc.com)
2. CN, CP to upgrade Deltaport intermodal operations, July 21, 2008, [www.joc.com](http://www.joc.com)
3. Railways expected to pick up speed, July 21, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
4. CN announces new share repurchase program, declares third-quarter 2008 dividend, July 21, 2008, [www.cn.ca](http://www.cn.ca)
5. CN reports Q2-2008 net income of C\$459 million, or C\$0.95 per diluted share, including deferred income tax recovery of C\$0.05, July 21, 2008, [www.cn.ca](http://www.cn.ca)
6. CN says it's not tied to Chicago deal, July 21, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
7. CN profit drop 11% on loonie, fuel costs, July 21, 2008, [www.nationalpost.ca](http://www.nationalpost.ca)
8. Canadian Pacific announces its second-quarter results, July 21, 2008, [www.cpr.ca](http://www.cpr.ca)
9. Slashing profit forecast, CPR embraces efficiency, July 22, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)
10. Mixed ruling for CN Rail on Chicago purchase, July 28, 2008, [www.globeandmail.ca](http://www.globeandmail.ca)

### US

1. Rail industry gears up lobbying for infrastructure, July 29, 2008, [www.joc.com](http://www.joc.com)

## 9. Slashing profit forecast, CPR embraces efficiency

Canadian Pacific Railway Ltd. is embarking on an efficiency drive - scheduling and less congested rail yards - as hopes for an economic revival this year do not look good. It has slashed its profit forecast by 9% for 2008. The new EPS estimate is in the range of \$4 to \$4.20, compared with the previous outlook of \$4.40 to \$4.60. Not surprisingly, CPR shares fell 3.6 per cent on the Toronto Stock Exchange.

## 10. Mixed ruling for CN Rail on Chicago purchase

U.S. regulators are not likely to make a decision on Canadian National Railway's purchase of the Elgin, Joliet & Eastern Railroad until early next year, according to a ruling released on July 25, 2008. However, the U.S. Surface Transportation Board agreed to Canadian National's request to put limits on the length of an ongoing environmental review as it would end the deal if the reviews takes too long.

## HIGHWAY TRANSPORTATION

### 1. BTS Releases North American Surface Trade Numbers: Surface Trade with Canada and Mexico Reached a Monthly Record High in April 2008

Trade using surface transportation between the United States and its North American Free Trade Agreement (NAFTA) partners Canada and Mexico was 14.3 percent higher in April 2008 than in April 2007, reaching \$74.3 billion, the highest monthly level ever recorded. U.S.-Canada surface transportation trade totalled \$48.9 billion in April 2008, up 15.4 percent compared to April 2007.

### 2. Truck tonnage bounces back in May

The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index jumped 0.5 percent in May. The seasonally adjusted index was 3.3 percent higher compared with May 2007.

### 3. Government of Canada Releases Report on Environmentally Positive Gains from Speed Limiters for Trucks

The Government of Canada recent report on July 4, 2008 reveals that speed limiters on large trucks could result in 228.6 million litres of diesel fuel saved, representing 1.4 per cent of the total on-road diesel consumed in 2006. Annual greenhouse gas savings related to this proposal are estimated at 0.64 megatonnes. Ontario and Quebec would account for 64 per cent of these estimated national savings. These two governments have introduced speed limiter legislation and the Government encourages other provinces to do the same.

### 4. SPECIAL REPORT: TC downplays limiter safety issues; OEMs uneasy with rule

The studies on speed limiters confirm support for the main argument of proponents of speed limiters - environmental benefits. However, comments by the Truck Manufacturers Association and Engine Manufacturers Association (EMA) show that equipment suppliers are pretty much against such a policy, as it stands, for Canada or the U.S. In general, EMA prefers voluntary, incentives measures rather than regulatory mandates considering costs, tampering, setting speeds for different jurisdictions and enforcing. Regarding safety, Transport Canada states that the introduction of speed limiters set at 105 km/h increases safety in "uncongested region(s)." However, as the volume of traffic and percentage of trucks increased, the safety gains associated with limiters "become less pronounced." Regarding competitiveness, Transport Canada says there could be some impact on trucking industry competitiveness within speed-limited jurisdictions. Any blowback would be most felt by small fleets and independent owner-operators since many large fleets already voluntarily govern their fleet speed. Regionally, Atlantic Canada would be most affected by an Ontario-Quebec speed limiter

policy.

## Highway Transportation

### Canada

1. BTS Releases North American Surface Trade Numbers: Surface Trade with Canada and Mexico Reached a Monthly Record High in April 2008, July 2, 2008, [www.dot.gov](http://www.dot.gov)
2. Truck tonnage bounces back in May, July 2, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
3. Government of Canada Releases Report on Environmentally Positive Gains from Speed Limiters for Trucks, July 4, 2008, [www.tc.ca](http://www.tc.ca)
4. SPECIAL REPORT: TC downplays limiter safety issues; OEMs uneasy with rule, July 7, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
5. Unregulated market speculation drives up fuel price: Truckstops, July 7, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
6. For-hire motor carriers of freight, all carriers [Fourth Quarter], July 8, 2008, [www.statcan.ca](http://www.statcan.ca)
7. Provinces ponder speed limiter study, July 14, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
8. "Important Safety Information Learning Curves" Brand, Inc. True Fit Child Restraint System: Incorrect French Language Label, July 15, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
9. Couriers and local messengers industry, July 15, 2008, [www.statcan.ca](http://www.statcan.ca)
10. MTO opens public comment period on Bill 41, July 17, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
11. Al's Cartage shuts its doors, July 17, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
12. Sterling cuts over 700 jobs from Canadian plant, July 17, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
13. Senate agrees with harmonized trucking regs, new technology incentives, July 21, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
14. Large urban transit, July 21, 2008, [www.statcan.ca](http://www.statcan.ca)
15. Kuehne + Nagel satisfied with 1st half, predicts logistics slowdown, July 21, 2008, [www.americanshipper.com](http://www.americanshipper.com)
16. Construction of Nashwaak/Marysville Bypass Kicks off, July 23, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
17. Vitran reports record revenue, lower income for Q2, July 23, 2008, [www.ctl.ca](http://www.ctl.ca)

## 5. Unregulated market speculation drives up fuel price: Truckstops

With a drop in demand for fuel in May 2008 in the US, it was expected that prices would decline. Contrary to expectation suggested by the laws of supply and demand, retail fuel prices rose. NATSO a travel group representing the plaza travel industry attributed the increase to unregulated market speculation.

## 6. For-hire motor carriers of freight, all carriers [Fourth Quarter]

The for-hire trucking companies based in Canada (annual revenue \$1 million or more) generated operating revenue of \$7.1 billion in the fourth quarter, up less than 1% from somewhat, moving to 0.95 from 0.94. the fourth quarter of 2006 as a result of lower revenue earned from transborder shipments. Operating expenses (\$6.8 billion) recorded a increase of 2%. As a result, the operating ratio (operating expenses divided by operating revenues) deteriorated

## 7. Provinces ponder speed limiter study

Following the release of *Transport Canada's* study on speed limiter

activation, a number of provinces will be revisiting the idea – including Alberta. Alberta was initially opposed to speed limiters. Spokesman for the Alberta Transportation said “Here along the main economic corridor the speed limit is 110 km/h and it would be wrong to put them [commercial vehicles] below that [i.e., 105 km/h].”

## 8. “Important Safety Information Learning Curves” Brand, Inc. True Fit Child Restraint System: Incorrect French Language Label

On July 15, 2008, Transport Canada advised the public of an error on a French language label on the side of the True Fit infant child seat. The pictogram portion of the label incorrectly identifies the weights for the rear- and forward-facing usage modes. The correct weight ranges are on the English language label as well as in the bilingual instruction manual.

## 9. Couriers and local messengers industry [2006 preliminary]

In 2006, the couriers and local messengers industry generated operating revenue of \$7.8 billion up 5% from 2005. Profits increased by 10%. The operating ratio (operating expenses divided by operating revenues) improved slightly from 0.92 to 0.91. The 1,580 courier establishments accounted for total operating revenue of \$6.4 billion in 2006, 7% higher than 2005. The 18,500 messenger establishments accounted for total operating revenue of \$1.4 billion in 2006, 3% lower than 2005. Couriers, the principal segment of the industry is dominated by a small number of large, multi-establishment companies whereas local messengers consist primarily of self-employed workers and small, independent contractors.

## 10. MTO opens public comment period on Bill 41

The Ministry of Transportation invites comments on how the law - Bill 41 - dealing with Speed limiters could be implemented and enforced.

## 11. Al's Cartage shuts its doors

Al's Cartage, a Kitchener Ontario LTL and container trucking company, closed down due to the high fuel prices and the slowing economy. It had about 50 employees down from its peak of about 230.

## 12. Sterling cuts over 700 jobs from Canadian plant

Sterling Truck has laid off 720 workers at its St. Thomas, Ont. truck assembly plant. So far, about 1,300 of the 2,000 workers at the facility have been given their walking papers. The cause was the fall in the North American vehicle production sector and the depressed truck-hauling industry. The plant currently makes about 75 trucks a day and is expected to cut output to 38 in the third quarter of 2008.

## 13. Senate agrees with harmonized trucking regs, new technology incentives.

A Senate committee on transportation in its report - *Time for a New National Vision* - is recommending that the federal government approve several crucial trucking initiatives urged by the industry. The report supports the adoption of new environmental technologies as demanded by the trucking industry through tax incentives and accelerated depreciation. It also suggests that Citizenship and Immigration Canada classify long-distance truck drivers as skilled labor to allow entry of more foreign workers into Canada. In addition, the Canadian Council of Motor Transport Administrators (CCMTA) should harmonize trucking regulations across the country which affects labour productivity. It also called for swift action in case of labour problems as occurred at the Port of Vancouver in 2005. Further, the marketplace should establish compensation rates for container trucking and the trucking officials made it clear that they do not approve of the way in which industry participants were driven to the licensing regime.

## 14. Large urban transit

18. Governments of Canada and British Columbia Announce They Will Fund Highway Projects in B.C., July 24, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)

19. Canada and Ontario Sign \$6.2-Billion Building Canada Infrastructure Agreement, July 24, 2008, [www.mto.on.gov](http://www.mto.on.gov)

20. Government of Canada Makes Significant Investments in Toronto's Public Transit System, July 25, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)

21. New Funding from Building Canada for Highway Project near Kamloops, British Columbia, July 25, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)

22. Vitran victorious in shaky economy, July 29, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)

## US

1. BTS Releases Freight Transportation Services Index (TSD); Freight Index Rose 1.9 Percent in May from April, July 9, 2008, [www.dot.com](http://www.dot.com)

2. 50 percent growth in world energy use predicted for 2030: Report, July 9, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)

3. Transportation Public-Private Partnerships Soar to Record Levels, July 22, 2008, [www.dot.gov](http://www.dot.gov)

Combined ridership (116.8 million passenger trips) on 10 large urban transit systems in Canada was 1.1% higher in May 2008 than it was for the same month in 2007. These passenger trips account for about 80% of total urban transit in Canada, generating \$195.4 million in revenue (excluding subsidies), a 7.8% increase over May 2007.

#### **15. Kuehne + Nagel satisfied with 1st half, predicts logistics slowdown**

Swiss freight forwarding and logistics group Kuehne + Nagel International AG on July 21, 2008 said it managed above-market growth in the first half of 2008, but warned of slower growth rates in the logistics sector for the second half of the year.

#### **16. Construction of Nashwaak/Marysville Bypass Kicks off**

Federal and provincial officials began the first phase of the Nashwaak/Marysville Bypass on Route 8 on July 23, 2008. The new access-controlled highway will bypass the existing Route 8 for a distance of 36 kilometres from Marysville to South Portage along the east side of the Nashwaak River. It will eliminate through trucking and relieve congestion on Route 8 and Bridge Street in Marysville, and provide a faster, safer and more efficient route for through traffic.

#### **17. Vitran reports record revenue, lower income for Q2**

Vitran reported record revenue of \$196 million (all figures US) for the second quarter, with net income of \$4.6 million. That compares to 2007 revenue of \$170.1 million for the same quarter and a net income of \$5.5 million. For the six-month period ending June 30, revenue was \$373 million compared to \$324 million for the same period last year, but net income was \$5.7 million versus \$8.9 million in the first two quarters of 07.

#### **18. Governments of Canada and British Columbia Announce They Will Fund Highway Projects in B.C.**

The Government of Canada and the Province of British Columbia will jointly fund up to \$231 million worth of National Highway System improvements in British Columbia, under the Building Canada Plan.

#### **19. Canada and Ontario Sign \$6.2-Billion Building Canada Infrastructure Agreement**

The governments of Canada and Ontario on July 24, 2008 announced the signing of an infrastructure Framework Agreement worth more than \$6.2 billion under Building Canada, the Government of Canada's long-term infrastructure plan. The Plan will help address infrastructure needs and priorities in Ontario until 2014.

#### **20. Government of Canada Makes Significant Investments in Toronto's Public Transit System**

The City of Toronto and the Toronto Transit Commission (TTC) received \$100 million from the Government of Canada for subway and bus infrastructure. The funds will be used to purchase hybrid buses (\$72.4m) and subway rail cars (\$27.6m). The funding for these investments comes from the Canada Strategic Infrastructure Fund.

#### **21. New Funding from Building Canada for Highway Project near Kamloops, British Columbia**

The governments of Canada and British Columbia on July 25, 2008 announced the funding of \$42.8 million for a highway project near Kamloops, British Columbia under the Building Canada infrastructure Plan. The Building Canada Fund will provide \$16.7 million and approximately \$26.1 million will be provided by the Province of British Columbia.

#### **23. Vitran victorious in shaky economy**

Vitran Corp. hauled in its best-ever revenue in the second quarter of 2008 with a return of US\$196 million, even as earnings slipped to \$4.6 million compared with \$5.5 million last year. The quarter's \$196 million in revenue was up from \$170.1 million in the April-June period of last year as cross-border revenue rose 32 percent.

### **GENERAL**

#### **1. Border agencies syncing security programs**

The Canada Border Services Agency has finally reached an arrangement with U.S. Customs and Border Protection to promote a smarter, more secure and efficient border. The Canadian Trucking Alliance is supporting the agreement.

#### **2. Manufacturing values stronger in May**

Current dollar manufacturing sales rose 2.7 percent to \$51.4 billion -- this was the largest increase since March 2007 and the fourth increase in five months. According to Statistics Canada, sales increased for 16 of 21 industries, representing 94 percent of total manufacturing sales. However, the May sales were below the \$53.1 billion reached in March 2007.

#### **3. Travel between Canada and other countries [May 2008]**

Travel between Canada and the rest of the world increased by 12.6% in May 2008 from May 2007. Travel to US increased by 12.9% and travel to the other countries increased by 10.9% over the same period. Travel in May 2008 was higher than the previous month by 1.6% to the rest of the world. Travel to US increased by 2% and to other countries fell by 0.9% for the same period.

### **Canada**

1. Border agencies syncing security programs, July 3, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
2. Manufacturing values stronger in May, July 15, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)
3. Travel between Canada and other countries [May 2008], July 17, 2008, [www.statcan.ca](http://www.statcan.ca)
4. Trade slows at busiest U.S.-Canada bridge crossing, July 17, 2008, [www.joc.com](http://www.joc.com)
5. Exports will decline, but so will crude prices, says Export Development Canada forecast, July 24, 2008, [www.ctl.ca](http://www.ctl.ca)
6. Export firm predicts major tumble in oil prices, exchange rate, July 28, 2008, [www.todaystrucking.ca](http://www.todaystrucking.ca)

#### 4. Trade slows at busiest U.S.-Canada bridge crossing

According to the Public Border Operators Association which counts crossings between Ontario and Michigan and New York, cross-border trade fell more than 11% in June 2008 at the Ambassador Bridge linking Detroit and Windsor, Ontario (the busiest crossing) between the United States and Canada. There were 257,276 truck crossings compared to 289,039 in the same month of the previous year. For the first six months of this year, there were 1,550,073 truck crossings, down 14.2% from 1,774,916 in the 2007 period. Crossings at the second and third largest bridges increased by about 2.6% and 2% in June 2008 but rose marginally for the second bridge and fell for the third bridge for the first half of the year. These findings support the data released by Statistics Canada that trade surplus in May 2008 was nearly the same as in April 2008.

#### US/EU

1. Greening Transport Package (adopted 8 July 2008, [www.europa.eu](http://www.europa.eu))
2. Transport groups opposed to EC "greening" package, July 10, 2008, [www.americanshipper.com](http://www.americanshipper.com)
3. UPS profit slides 21%, July 22, 2008, [www.joc.com](http://www.joc.com)
4. U.S. Transportation Secretary Peters Unveils Bush Administration's New Approach for America's Transportation Future, July 29, 2008, [www.dot.com](http://www.dot.com)

#### 5. Exports will decline, but so will crude prices, says Export Development Canada forecast

Export Development Canada (EDC) is predicting more turbulent times ahead for Canadian exporters. The agency says Canada's total exports will increase 4.2% over the remainder of this year, mainly due to soaring energy prices. However, its Global Export Forecast also predicts a 1% decline the following year.

#### 6. Export firm predicts major tumble in oil prices, exchange rate

According to Export Development Canada, oil per-barrel prices will slide significantly below \$100 and the loonie will retreat to about 95 cents US to close out the year. There's little sign that exports will rebound this year or in 2009, the growth will be mainly due to higher oil prices.

#### Conferences

1. Freight Demand Forecasts: Is Western Canada's Transportation System up to it? December 3 & 4, Vancouver, BC, [www.westac.ca](http://www.westac.ca)

#### Publications

1. Energy and Transport in Europe, Digest, No. 272, July 2008, [www.europa.eu](http://www.europa.eu)
2. Energy and Transportation in Europe Digest, Newsletter No. 273, [www.europa.eu](http://www.europa.eu)
3. Transportation in Canada - An Overview, July 11, 2008, Transport Canada, 2008, [www.tc.gc.ca](http://www.tc.gc.ca)
4. Strategic Plan 2008-2011, July 21, 2008, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)
5. Energy and Transport in Europe Digest, No. 274, July 2008, [www.europa.eu](http://www.europa.eu)