

# Transportation Information Update\*

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## AIR TRANSPORTATION

### 1. Global air cargo volumes suffer in November

Worldwide airfreight volumes fell 0.9 percent in November 2015 compared to November 2014, the first year-over-year decline in monthly airfreight volumes since June 2013, according to the latest figures from industry analyst World ACD. Yields, measured in U.S. dollars, improved for the third month in a row, but World ACD noted the 1 percent increase was smaller than the usual yield improvement from October to November 2015.

### 2. Air Canada Reports December and Full Year Load Factor

For the month of December 2015, Air Canada reported a system-wide capacity increase of 7.3 per cent and a load factor of 81.6 per cent. On this additional capacity, traffic increased 6.0 per cent. Air Canada reports traffic results on a system-wide basis, including regional airlines from which Air Canada purchases capacity and Air Canada *rouge*®. For December 2015, traffic, capacity and load factor were: 5,288m; 6,482m; and 81.6 recording changes of 6.0%; 7.3% and -1.0 compared to December 2014. "I am pleased to report our highest ever load factor for the full year 2015," said Calin Rovinescu, President and Chief Executive Officer. For the fourth quarter of 2015, traffic, capacity and load factor were: 15,302m; 18,869m; and 81.1 recording changes of 8.6%, 8.4% and 0.1 compared to the 2014 fourth quarter. For the calendar year of 2015, traffic, capacity and load factor were: 67,545m; 80,871m; and 83.5 recording changes of 9.6%; 9.4% and 0.1 compared to the previous year.

### 3. WestJet announces year-round service to Europe

WestJet on January 6, 2016 announced it is extending two of its new non-stop transatlantic services to London (Gatwick) from seasonal to year-round. Flights from Calgary and Toronto to London will now operate on a year-round basis, three times weekly and daily respectively through the winter, while service from Vancouver, Edmonton, Winnipeg and St. John's will operate seasonally as announced in September 2015.

### 4. NewLeaf to offer cheap Canadian flights through 7 cities next month

A new airline set to take flight on January 6, 2016 is offering ultra-low fares between seven Canadian cities for as little as \$89 for a one-way flight. NewLeaf revealed its flight plans at joint events in Kelowna, B.C., Winnipeg and Hamilton that started at 11 a.m. on January 6, 2015. As of Feb. 12, 2016 flights are available from seven Canadian airports: Abbotsford, B.C.; Halifax; Hamilton, Ont.; Kelowna, B.C.; Regina; Saskatoon; and Winnipeg. CEO Jim Young says the company is focusing on second-tier airports in part because "lower landing fees mean we have savings we can pass on to you." Young said the airline is looking at adding U.S. sun destinations later in 2016.

## AIR

## TRANSPORTATION

### Canada

1. Global air cargo volumes suffer in November, December 31, 2015, [www.americanshipper.com](http://www.americanshipper.com)
2. Air Canada Reports December and Full Year Load Factor, January 7, 2016, [www.aircanda.ca](http://www.aircanda.ca)
3. WestJet announces year-round service to Europe, January 7, 2016, [www.westjet.ca](http://www.westjet.ca)
4. NewLeaf to offer cheap Canadian flights through 7 cities next month, January 6, 2016, [www.cbc.ca](http://www.cbc.ca)
5. Canada's incumbent airlines have little to fear from new startup NewLeaf Travel, January 7, 2016, [www.financialpost.ca](http://www.financialpost.ca)
6. WestJet reports December load factor of 79.2 per cent, January 7, 2016, [www.westjet.ca](http://www.westjet.ca)
7. 2016 could be an even tougher year than last for air freight sector, January 8, 2016, [www.joc.com](http://www.joc.com)
8. Air Canada Cargo to add eight new destinations in 2016, June 7, 2016, [www.ctl.ca](http://www.ctl.ca)
9. WestJet's 767s begin non-stop service to Hawaii Sunday, January 10, 2016, [www.westjet.ca](http://www.westjet.ca)
10. 2nd-Quarter 2015 Air Fare Data, January 8, 2016, [www.bts.gov](http://www.bts.gov)
11. News Brief: Reducing Fraudulent Payment Transactions, January 7, 2016, [www.iata.org](http://www.iata.org)
12. Polar Air settles U.S. antitrust class action lawsuit, January 8, 2016, [www.americanshipper.com](http://www.americanshipper.com)
13. Global air cargo market may be 'bottoming out', January 11, 2016, [www.joc.com](http://www.joc.com)
14. Transport Canada reinstates Buffalo Airways' Air Operator Certificate, January 12, 2016, [www.tc.gc.ca](http://www.tc.gc.ca)
15. Healthy November Traffic Demand, January 12, 2016, [www.iata.org](http://www.iata.org)
16. Decline in Air Freight Volumes Bottoms Out, January 11, 2016, [www.iata.org](http://www.iata.org)

\* The views indicated are those of the authors and not of Industry Canada or the CTRF.

## **5. Canada's incumbent airlines have little to fear from new startup NewLeaf Travel**

Canada's incumbent airlines have little to fear from a new, ultra-cheap competitor that will begin flying next month, according to an analysis by National Bank. First, there have been few successful new entrants. Second, NewLeaf's initial capacity — five Boeing 737-400s — is so small that it will be "immaterial" to the incumbents. Third, it is expected that incumbents will react with price cuts.

## **6. WestJet reports December load factor of 79.2 per cent**

WestJet on January 7, 2016 announced December 2015 traffic results with a load factor of 79.2 per cent. Revenue passenger miles (RPMs), or traffic, increased 3.9 per cent year over year, and capacity, measured in available seat miles (ASMs), grew 6.1 per cent over the same period. In 2015, WestJet achieved an on-time performance rate of 85.3 per cent, an improvement of 6.4 percentage points (pts) and flew a record 20.3 million guests, a year-over-year increase of 3.2 per cent or approximately 629,000 additional guests. For December 2015, traffic, capacity and load factor were: 1.923b; 2.426b; and 79.2 recording changes of 3.9%; 6.1% and -1.7pts compared to December 2014. President and Chief Executive Officer Gregg Saretsky said "We are pleased to have welcomed more than 20 million guests on board in 2015, an all-time high for WestJet, notwithstanding further softening in Alberta demand.". For the fourth quarter of 2015, traffic, capacity and load factor were: 5.114b; 6.525b; and 78.4 recording changes of 0.6%, 2.3% and -1.3 pts compared to the 2014 fourth quarter. For the calendar year of 2015, traffic, capacity and load factor were: 21.526b; 26.902b; and 80.0 recording changes of 3.3%; 5.4% and -1.4 pts compared to the previous year.

## **7. 2016 could be an even tougher year than last for air freight sector**

Sadly for the air cargo market — but fortunately for ocean freight that moves most of the shipments — there will be no port congestion in the main U.S. gateways. More critical is that there also will be little demand from anywhere else. The air cargo weakness has largely tracked anemic trade growth.

## **8. Air Canada Cargo to add eight new destinations in 2016**

In 2016, Air Canada Cargo is adding 8 new international destinations, including its first to Africa, Budapest (June 10), Glasgow (June 13), and Warsaw (June 16). The carrier announced it is also boosting service to key destinations with new routes or additional flights: Vancouver – London (Additional flight daily as of June 1), and Vancouver – Dublin (June 10), and Toronto – Seoul (June 17).

## **9 WestJet's 767s begin non-stop service to Hawaii Sunday**

WestJet on January 10, 2016 celebrates the airline's first flight from Alberta to Hawaii on its own Boeing 767-300 extended-range aircraft. To this point, flights to the Hawaiian Islands had been taking place on leased aircraft.

## **10. 2nd-Quarter 2015 Air Fare Data**

The average US domestic air fare decreased to \$385 in the second quarter of 2015, down 2.8 percent from \$396 in the second quarter of 2014, adjusted for inflation, the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported on January 8, 2016.

## **11. News Brief: Reducing Fraudulent Payment Transactions**

The International Air Transport Association (IATA) announced that it is expanding its activities to prevent payment fraud in the air travel industry. Payment fraud costs the industry an estimated \$858 million annually, approximately \$639 million of which is borne by airlines and the remainder by other participants in the travel value chain, including travel agents.

17. Aeromexico and WestJet sign code-share agreement, January 13, 2016, [www.westjet.ca](http://www.westjet.ca)
18. Aircraft movement statistics: Small airports, September 2015, January 15, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)
19. BTS Statistical Release: October 2015 U.S. Airline Traffic Data, January 14, 2016, [www.dot.gov](http://www.dot.gov)
20. Service bulletin: Civil aviation operating statistics, January to December 2014, January 18, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)
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23. Atlas Air Worldwide acquires competitor, January 20, 2016, [www.joc.com](http://www.joc.com)
24. Air Canada Offers New Business Class Check-in Within a Lounge Setting at Toronto Pearson, January 21, 2016, [www.aircanada.ca](http://www.aircanada.ca)
25. NewLeaf suspends ticket sales, offers refunds, January 18, 2016, [www.winnipeg.sun.com](http://www.winnipeg.sun.com)
26. Cargolux enjoys higher volumes for 3rd year, January 25, 2016, [www.transportweekly.com](http://www.transportweekly.com)
27. Air Canada Welcomes New Agreement with its Technical Maintenance, Airport Ramp and Cargo Personnel, January 22, 2016, [www.aircanada.ca](http://www.aircanada.ca)
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29. WestJet adds to Toronto hub, January 25, 2016, [www.westjet.ca](http://www.westjet.ca)
30. WestJet to cut Alberta flights, shift capacity east, January 25, 2016, [www.globeandmail.ca](http://www.globeandmail.ca)
31. WestJet Encore best for on-time performance, January 26, 2016, [www.westjet.ca](http://www.westjet.ca)
32. Aircraft movement statistics: Major airports, November 2015, January 28, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)

## **12. Polar Air settles U.S. antitrust class action lawsuit**

Polar Air Cargo, along with Polar Air Cargo Worldwide and Atlas Air Worldwide Holdings, has entered into a \$100 million settlement agreement in a U.S. antitrust class action lawsuit.

## **13. Global air cargo market may be 'bottoming out'**

The decline in global air cargo demand “may be bottoming out”, following a month-on-month increase in November 2015 traffic, according to the International Air Transportation Association.

## **14. Transport Canada reinstates Buffalo Airways' Air Operator Certificate**

Transport Canada has reinstated Buffalo Airways' Air Operator Certificate following the approval of the company's corrective action plans. The reinstatement is effective immediately.

## **15. Healthy November Traffic Demand**

The International Air Transport Association (IATA) announced global passenger traffic results for November 2015 showing continued strong traffic growth above the 10-year average rate of 5.6%. Total revenue passenger kilometers (RPKs) rose 5.9% compared to the year-ago period. Although below the October 2015 rate of 7.1%, this largely was owing to the impact of factors that are expected to be short-lived, including the cessation of operations by Transaero, Russia's second largest carrier, and labor strikes at Lufthansa. The healthy demand continued despite some softening in economic growth, in large part owing to falling fares.

## **16. Decline in Air Freight Volumes Bottoms Out**

The International Air Transport Association (IATA) released data for global air freight markets showing air cargo volumes (measured in Freight Tonne Kilometers) were down 1.2% in November 2015, compared to November 2014. Total cargo volumes, however, expanded compared to October 2015, and were higher than the low point in August 2015. This indicates that the decline in cargo demand may be bottoming out. The negative year-on-year comparisons occurred across all regions with the exception of the Middle East.

## **17. Aeromexico and WestJet sign code-share agreement,**

Aeromexico, Mexico's global airline, and WestJet, Canada's highest-rated airline for customer service, have signed a code-sharing agreement. Aeromexico and WestJet have had an interline relationship since December 2011. The new agreement will give Aeromexico's customers enhanced connecting service via Montreal, Toronto and Vancouver to more than 10 Canadian destinations including Calgary, Edmonton, Winnipeg, Ottawa, Halifax, Deer Lake and St. John's, among others

## **18. Aircraft movement statistics: Small airports, September 2015**

Take-offs and landings at 127 Canadian airports without air traffic control towers reached 58,268 movements in September 2015. Eight airports, each with more than 1,500 movements, accounted for 32% of the activity in September 2015.

## **19. BTS Statistical Release: October 2015 U.S. Airline Traffic Data**

The U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported on January 14, 2016 that U.S. airlines' systemwide (domestic and international) scheduled service load factor – a measure of the use of airline capacity – rose to 85.0 percent in October, seasonally adjusted, reaching a record high monthly load factor with a second consecutive month of growth. Seasonal adjustment allows the comparing of monthly load factors to all other months.

## **20. Service bulletin: Civil aviation operating statistics, January to December 2014**

Monthly civil aviation operating statistics for January to December 2014 are now available in the service bulletin Aviation (published by Statistics Canada).

## **21. Air cargo demand in North America, Europe, Asia Pacific falls**

The air freight market in North America contracted by 3.2 per cent on a year-on-year basis, according to figures published by the International Air Transport Association (IATA) this month, which said that "export indicators are poor making it hard to be optimistic for the coming months".

## **22. Civil aviation operating statistics, November 2015**

The two major Canadian air carriers flew 3.5 million passengers on scheduled and charter services in November 2016, up 4.9% from the same month in 2014. Air Canada carried 2.0 million passengers, up 10.1% from the same month a year earlier, while WestJet carried 1.5 million passengers, down 1.1% from the same month a year earlier.

## **23. Atlas Air Worldwide acquires competitor**

Atlas Air Worldwide Holdings' plan to acquire competitor Southern Air Holdings, this is expected to diversify the air cargo carriers' fleet, strengthen its relationship with its biggest customer, DHL Express, and position it to grow in the U.S. and globally, according to a BB&T analyst.

## **24. Air Canada Offers New Business Class Check-in Within a Lounge Setting at Toronto Pearson**

Air Canada is enhancing the experience of Premium travelers with the creation of a new Business Class Check-in area at Toronto Pearson. The dedicated concourse will be available to customers travelling in Business Class or customers holding select Premium status beginning January 21, 2016.

**25. NewLeaf suspends ticket sales, offers refunds**

Less than two weeks after discount travel company NewLeaf Travel Company announced plans to start offering non-stop flights to seven mid-sized Canadian cities in February 2016 including Winnipeg, company officials have halted sales of airline tickets and said they will refund all credit card transactions for reservations. The reason for the refunds and cancellation is that: the company hasn't been licensed by the Canadian Transportation Agency (CTA), a situation officials are hoping to sort out in the days and weeks ahead. The airline which was to start in mid-February 2016 said it will begin marketing again in Spring.

**26. Cargolux enjoys higher volumes for 3rd year**

Luxembourg's cargo airline Cargolux (the largest aircargo carrier in Europe) has achieved volume growth of 7.4 per cent, airlifting 889,746 tonnes in 2015 with an average load factor of 66 per cent against 66.9 per cent the year before. The carrier took delivery of two Boeing 747-8F aircraft last year, raising its total fleet to 25 freighters. It has plans to add additional aircraft in Luxembourg and in China through its joint venture airline, Cargolux China, with Henan Civil Aviation Development and Investment Co.

**27. Air Canada Welcomes New Agreement with its Technical Maintenance, Airport Ramp and Cargo Personnel**

Air Canada welcomes confirmation by the International Association of Machinists and Aerospace Workers (IAMAW) that its members have ratified a new contract on collective agreement terms for ten years on January 22, 2016. The IAMAW represents 7,500 Air Canada employees who work as technical, maintenance and operational support employees in the airline's Airport, Maintenance and Air Canada Cargo operations.

**28. Service bulletin: Quarterly civil aviation statistics, first quarter to fourth quarter 2014**

Quarterly civil aviation operating and financial statistics for 2014 are now available in the service bulletin *Aviation* on Statistics Canada's website.

**29. WestJet adds to Toronto hub**

WestJet on January 25, 2016 announced that it will launch new non-stop service from Toronto to Nashville and Los Angeles as part of its 2016 summer schedule.

**30. WestJet to cut Alberta flights, shift capacity east**

Amidst the oil-price slump battering Alberta's economy, WestJet Airlines Ltd. will suspend some of its regularly scheduled flights from Calgary and Edmonton to divert more of its capacity to Central and Eastern Canada.

**31. WestJet Encore best for on-time performance**

WestJet Encore flights arrived at their destinations on schedule more than 90 per cent of the time in 2015 – the best among North American regional airlines – according to FlightStats.com's seventh annual global on-time performance awards.

**32. Aircraft movement statistics: Major airports, November 2015**

Aircraft take-offs and landings at Canadian airports with NAV CANADA air traffic control towers and flight service stations increased 3.1% in November 2015 from the same month a year earlier. These 91 airports reported 409,273 movements during the month compared with 397,137 movements in November 2014.

## **WATER TRANSPORTATION**

### **1. Freight rate slide will see liner losses top \$5 billion in 2016, analyst says**

According to Drewry, industry-wide losses greater than \$5 billion are expected this year (2016) as the supply-demand imbalance widens and freight rates continue to decline among container shipping lines.

### **2. Port Development Forecasted to Employ Thousands More as Prince Rupert Capitalizes on Status As Global Community**

The Port of Prince Rupert on January 11, 2016 released a study projecting that its fully-realized development plan could generate almost 5,000 new jobs in northern British Columbia directly related to port activity, with corresponding increases in wages and government tax revenues. The full buildout of the Port of Prince Rupert's planned infrastructure and terminals is predicted potentially to generate the following incremental economic impacts: an increase of 4,780 full-time equivalent (FTE) jobs directly related to port activity; \$310 million annually in additional wages; \$59 million annually in additional local municipal taxes for the City of Prince Rupert and the District of Port Edward; \$178 million annually in combined taxes to all levels of government; and \$400 million annually in additional Gross Domestic Product (GDP) for Canada. In addition to the sustained economic benefits of planned infrastructure and terminals, their construction could provide as many as 26,000 person years of employment, \$1.7 billion in wages and over \$2 billion in GDP.

### **3. Global container ship fleet soars to 20 million TEUs**

A record 214 new container ships were delivered in 2015, increasing the global fleet's total capacity by 8.5 percent to 19 million 20-foot equivalent units by the end of the year, according to Alphaliner.

### **4. The Port of Montreal collaborating on study to assist trucking industry**

The study, entitled *Study of Innovative Technologies for Communicating Real-time Information to Port Drayage Drivers*, released on January 12, 2016, was produced by the Asia Pacific Gate-

way (APG) Skills Table and conducted with the Montreal Port Authority. The study inventoried various technological platforms that allow information on port operating and traffic conditions to be relayed in real time to truckers by examining the cases of 10 international ports. The ports considered vary in scale and complexity, and were mainly North American and European. These platforms range from simple email and SMS or Twitter-based text systems to more complex systems of mobile applications and changeable roadside message signs. The study found ways to use new information technology to better inform truckers of traffic conditions.

### **5. EC to investigate Antwerp container terminal operators**

The European Commission has opened an inquiry into whether the Port of Antwerp violated European Union state aid rules by reducing compensation payments for two container terminal operators, according to a statement from the EU's anti-competition organization. At issue is whether terminal operators PSA Antwerp NV and Antwerp Gateway NV were given an "undue advantage" over their competitors as a result of the revision of minimum tonnage requirements by the port authority.

### **6. Port of Montreal – Year to Date Traffic Statistics**

The Port of Montreal released its container statistics on January 19, 2016. For the period January 2015 to December 2015, total traffic in terms of TEUs were 1,446,075 compared to 1,402,393 a year earlier for the same period, a 3.1% increase. Total imports (TEUs) were 727,612 compared to 696,840, a 4.4% increase. Total exports were 718,463 compared to 705,553, a 1.8% increase. For the period January 2015 to December 2015, total traffic in terms of tonnes were 13,092,607 compared to 12,575,069 a year earlier for the same period, a 4.1% increase.

### **7. Cargo Performance Proves Port's Resilience In Shifting Economic Conditions**

A 26% surge in container volumes and the continued success of grain and wood pellet terminals at the Port of Prince Rupert helped stabilize overall 2015 results in the wake of declining coal volumes and

## **WATER TRANSPORTATION**

### **Canada**

1. Freight rate slide will see liner losses top \$5 billion in 2016, analyst says, January 7, 2016, [www.joc.com](http://www.joc.com)

2. Port Development Forecasted to Employ Thousands More as Prince Rupert Capitalizes on Status As Global Community, January 11, 2016, [www.rupertport.com](http://www.rupertport.com)

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6. Port of Montreal – Year to Date Traffic Statistics, January 19, 2016, [www.portofmontreal.ca](http://www.portofmontreal.ca)

7. Cargo Performance Proves Port's Resilience In Shifting Economic Conditions, January 22, 2016, [www.rupertport.com](http://www.rupertport.com)

8. Mega-ships spur growth in Europe's intermodal rail, January 23, 2016, [www.joc.com](http://www.joc.com)

9. Eight-year scientific monitoring program shows continued ecosystem health at Roberts Bank, January 27, 2016, [www.portmetrovanancouver.com](http://www.portmetrovanancouver.com)

10. Prince Rupert Port Authority: Monthly Traffic Summary – January to December 2016, January 28, 2016, [www.rupertport.com](http://www.rupertport.com)

international commodity markets. “The 2015 cargo volumes achieved by our dedicated port workforce demonstrate the importance of cargo diversification, given the dramatic change in market conditions for Canadian trade. While down marginally from last year’s total volume, 2015 was historically the fourth best year on record”. Containerized trade through the Port of Prince Rupert was at an all-time high in 2015. Traffic through Fairview Container Terminal was up 26% over 2014 with 776,412 TEUs moved, solidifying its status as one of North America’s fastest-growing intermodal terminals.

#### **8. Mega-ships spur growth in Europe's intermodal rail**

With the largest mega-ships now carrying up to 19,000 twenty-foot-equivalent units, modern ports need the capability to transport huge volumes of containers in a short period of time to beat congestion and keep shipments moving. This puts strain on existing rail links and increases demand for multiple rail connections and operators to service ports’ hinterland. The use of mega-ships is spurring the growth of intermodal rail in Europe.

#### **9. Eight-year scientific monitoring program shows continued ecosystem health at Roberts Bank**

A science-based program to monitor and manage the ecosystem of the Roberts Bank inter-causeway area has concluded after eight years of monitoring that the ecosystem has not suffered any significant negative impacts due to the construction of a third berth at the Deltaport container terminal, which began in 2007.

#### **10. Prince Rupert Port Authority: Monthly Traffic Summary – January to December 2016**

The Port of Prince Rupert released its traffic statistics for 2015 and for December 2015. Total container traffic in terms of twenty foot equivalent units (TEUs) increased by 26% in 2015 compared to 2014 i.e. from 618,168 to 776,412. Imports increased by 21% from 359,960 to 435,916. Exports increased by 32% from 258,208 to 340,496. For the month of December 2015, total traffic in terms of TEUs declined 4%. Imports declined 4% and exports declined 1%.



## RAIL TRANSPORTATION

### 1. CN and CP exceed their Western Grain Revenue Entitlements for Crop Year 2014-2015

In a decision issued on December 29, 2015, the Canadian Transportation Agency ruled that revenues of the Canadian National Railway Company (CN) and the Canadian Pacific Railway Company (CP) have exceeded their Western grain revenue entitlements for crop year 2014-2015. CN's grain revenue of \$745,068,906 was \$6,866,595 above its entitlement of \$738,202,311. CP's grain revenue of \$724,045,774 was \$2,137,168 above its entitlement of \$721,908,606. CN and CP now have 30 days to pay the amount by which they exceeded their 2014-2015 revenue entitlements, in addition to a five percent penalty of \$343,330 for CN and \$106,858 for CP. In the 2014-2015 crop year, 41,306,191 tonnes of Western grain were moved—7.4 percent more than the volume moved during the previous crop year.

### 2. Canada fines railways \$6.8m for surplus grain revenues

The Canadian transport agency has fined the country's two largest freight railways a total of \$9.45 million Canadian (U.S. \$6.81 million) for surplus revenues from hauling western grain during the 2014-2015 crop year. The agency ruled that Canadian National Railway Company (CN) and Canadian Pacific Railway Ltd (CP) exceeded their respective Western grain revenue entitlements of C\$738 million and C\$722 million by about C\$6.9. In addition to repaying the surplus revenues, the Class I railroads have each been assessed 5 percent penalties in the amounts of \$343,330 for CN and \$106,858 for CP. The agency noted CN and CP grew their combined Western grain volumes more than 7.4 percent to over 41 million tons in the 2014-2015 crop year compared to the previous period.

### 3. Norfolk Southern customers lobby regulator against CP Rail takeover bid

Industry groups representing major freight customers of Norfolk Southern Corp. have asked the U.S. rail regulator to reject any bid for the railroad by Canadian Pacific Railway Ltd. The opposition from a broad array of customers to the hostile bid for the Norfolk, Va.-based railroad could significantly harm Canadian Pacific's case if an expected lengthy proxy battle is resolved and a merger reaches the Surface Transportation Board for a review.

### 4. CN files shelf prospectus for C\$6 billion of debt securities

CN on January 6, 2016 filed a final shelf prospectus with Canadian securities regulators and a registration statement with the United States Securities and Exchange Commission (SEC), pursuant to which CN may issue up to C\$6 billion of debt securities in Canadian and U.S. markets over the next 25 months.

### 5. CN submits Environmental Impact Statement for its proposed Milton Logistics Hub

CN announced on January 7, 2016 that it has submitted a comprehensive Environmental Impact Statement (EIS) to the Canadian Environmental Assessment Agency (CEAA) for its proposed logistics hub to be built in Milton, Ontario. The EIS describes measures the company plans to adopt to lessen the project's environmental impact on the community.

### 6. Status quo is not an option for North American rail industry, CP argues in white paper

Canadian Pacific on January 12, 2016 released a white paper stating that a change in the railroad industry status quo is necessary to support continued growth in the North American economy. The full title of the

## RAIL TRANSPORTATION Canada

1. CN and CP exceed their Western Grain Revenue Entitlements for Crop Year 2014-2015, December 29, 2015, [www.cta-otc.gc](http://www.cta-otc.gc)
2. Canada fines railways \$6.8m for surplus grain revenues, January 4, 2016, [www.americanshipper.com](http://www.americanshipper.com)
3. Norfolk Southern customers lobby regulator against CP Rail takeover bid, January 4, 2016, [www.globeandmail.ca](http://www.globeandmail.ca)
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5. CN submits Environmental Impact Statement for its proposed Milton Logistics Hub, January 7, 2016, [www.cn.ca](http://www.cn.ca)
6. Status quo is not an option for North American rail industry, CP argues in white paper, January 12, 2016, [www.cn.ca](http://www.cn.ca)
7. CSX profit decline highlights Class I industry woes, January 12, 2016, [www.joc.com](http://www.joc.com)
8. UP makes stopping Class I consolidation 'Job 1', January 13, 2016, [www.joc.com](http://www.joc.com)
9. CP responds to comments from Union Pacific CEO, January 14, 2016, [www.cpr.ca](http://www.cpr.ca)
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19. CN announces 20 per cent increase in quarterly cash dividend, January 26, 2016, [www.cn.ca](http://www.cn.ca)
20. CN reports Q4-2015 net income of C\$941 million, with diluted earnings per share (EPS) up 15% to C\$1.18, January

white paper is: *A 21st Century Railroad for a 21st Century Economy*. A PDF version can be downloaded at: <http://www.cpr.ca/en/investors>.

#### **7. CSX profit decline highlights Class I industry woes**

CSX profits decline with weaker carload volume due to lagging industrial and energy sectors and intermodal revenue despite volume growth. CSX Transportation's release of its fourth quarter earnings on January 12, 2016 sent a warning to the Class I railroad industry.

#### **8. UP makes stopping Class I consolidation 'Job 1'**

The top executive at the largest U.S. railway said on January 13, 2016 that he will do everything within his power to prevent further consolidation within the Class I rail industry, the likes of which has been suggested with the proposed tie-up of Canadian Pacific and Norfolk Southern railways.

#### **9. CP responds to comments from Union Pacific CEO**

Canadian Pacific said on January 14, 2016 that it is surprised and disappointed by comments reportedly made by Union Pacific Corp.'s (UP) Chief Executive that UP is working behind the scenes with other railroads to support the status quo. A CP-Norfolk Southern Corp. (NS) merger is clearly in the public interest since it would enhance competition in the industry and would also alleviate congestion in Chicago. The Surface Transportation Board (STB) merger rules are designed to enhance competition and, as with U.S. antitrust law generally, they are not designed to protect other railroads from balanced competition.

#### **10. CP-NS would have to convince US regulators merger wouldn't trigger others**

Canadian Pacific and Norfolk Southern railway would have to convince U.S. rail regulators that a potential merger won't set off a wave of Class I consolidation in order to get the greenlight, U.S. Surface Transportation Board Chairman Daniel Elliott said on January 14, 2016.

#### **11. Minister Garneau addresses excessive fatigue in the rail sector**

The Honourable Marc Garneau, Minister of Transport, issued this statement regarding excessive fatigue in the rail sector: "As Minister of Transport, I am always concerned with the safety of railway operations. "Transport Canada became aware that CP Rail did not comply with the [Work/Rest Rules for Railway Operating Employees](#) related to extended service run train crews. These issues were uncovered within a number of CP Rail locations within British Columbia. "As a result, Transport Canada issued a Notice and Order to CP Rail on January 14, 2016, ordering the company to address issues related to fatigue and scheduling practices." The Order will remain in effect until the department is satisfied that the issues have been fully addressed. "My department will continue to monitor the company closely. Transport Canada does not hesitate to take action as required to ensure the safety of Canada's rail network."

#### **12. CP asks US to investigate other railroads' 'campaign' against NS acquisition**

Canadian Pacific Railway has asked the U.S. Department of Justice to investigate a "collective campaign" spearheaded by other major railroads to block its increasingly hostile stock-and-cash bid for Norfolk Southern Railway.

#### **13. CP-NS combination will ease congestion in key Chicago rail hub, CP argues in white paper**

Canadian Pacific (CP) on January 20, 2016 released a white paper showing how CP's proposed combination with Norfolk Southern Corp. (NS) will alleviate congestion in the key rail hub of Chicago. The full text of the white paper is: *The Opportunity to Alleviate Congestion in Chicago*. A PDF version can be downloaded at: <http://www.cpr.ca/en/investors>. A CP-NS combined network would have a meaningful, lasting impact on Chicago congestion for the clear benefit of customers, competitors and the broader economy. A CP-NS combination would reduce congestion and create capacity in Chicago by: 1) Providing options to shift traffic to alternative routings, which would also serve to relieve pressure across the network. 2) Making operational improvements to a switching carrier and moving processing interchanges within Chicago to underutilized hubs outside the city. 3) Identifying a number of other opportunities for operational improvements in train and routing management.

#### **14. CP reports record fourth quarter and full-year earnings**

Canadian Pacific Railway Limited (CP) on January 21, 2016 announced fourth-quarter diluted earnings per share of C\$2.08 and adjusted diluted earnings per share of \$2.72, the highest ever for the period. For the full year, its reported diluted earnings per share were \$8.40 while adjusted diluted earnings per share climbed to a record \$10.10, a 19-percent improvement over 2014's adjusted EPS of \$8.50. "Thanks to our committed, hard-working employees across the network we have produced a record low operating ratio along with record earnings per share," said E. Hunter Harrison, CP's Chief Executive Officer. The

26, 2016, [www.cn.ca](http://www.cn.ca)

21. CN Rail chief Claude Mongeau returns from sick leave to announce strong earnings, outlook January 26, 2016, [www.nationalpost.ca](http://www.nationalpost.ca)

22. CN rides intermodal growth to double-digit profit rise, January 26, 2016, [www.joc.com](http://www.joc.com)

23. CN bucks freight rail trend, ups profits in 2015, January 27, 2016, [www.americanshipper.com](http://www.americanshipper.com)

24. Railway Carloadings, November 2015, Jan.27, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)

25. CP-NS merger would fuel biggest rail industry shake-up since Staggers Act, January 26, 2016, [www.joc.com](http://www.joc.com)



highlights for 2015 were: 1. Record revenues of \$6.71 billion; 2. Adjusted operating ratio improved to a record 61 percent; reported operating ratio of 60 percent; 3. Adjusted diluted EPS rose 19 percent to a record \$10.10 from \$8.50 in 2014; 4. reported diluted earnings per share were \$8.40; and 5. Record free cash of \$1.16 billion, an increase of 59 percent.

#### **15. Canadian Pacific profit, revenue fall short of expectations**

Canadian Pacific Railway Ltd.'s fourth-quarter profit fell short of expectations as freight revenue fell amid a North American-wide slump in rail traffic. Calgary-based CP on January 21, 2016 posted adjusted per-share profit of \$2.72, missing the analyst consensus of \$2.76. Revenue was slightly below the forecast, at \$1.6-billion. For the full year of 2015, per-share profit rose by 19 per cent to \$10.10 with revenue of \$6.7-billion. Analysts had been expecting per-share profit of \$10.18. In 2015, Canadian carriers' rail traffic fell by 1.7 per cent, compared with a 6-per-cent decline at their U.S. counterparts. That drop, the most in six years, is spurring fears that the world's biggest economy is headed for a sharp slowdown.

#### **16. Slower economic growth derails CP's domestic intermodal push**

Sluggish economic conditions derailed Canadian Pacific Railway's domestic intermodal success, pulling down traffic 9 percent and contributing to a 29 percent profit decline.

#### **17. Canadian Pacific Railway to cut 1,000 jobs in 2016 as weak economy weighs on volumes**

Canadian Pacific Railway Ltd. plans to cut another 1,000 jobs in 2016 after reducing its workforce by 12 per cent in 2015, a response to "tremendous pressure on the top line".

#### **18. High inventories pulling down UP intermodal volume**

Union Pacific Railroad said high inventories, a decline in premium shipments and sluggish retail sales are pulling down its intermodal volume and revenue from the hauling of containers.

#### **19. CN announces 20 per cent increase in quarterly cash dividend**

CN announced on 26, 2016 that its Board of Directors has approved a 20 per cent increase in the Company's quarterly cash dividend. With this increase, CN's dividend on an annualized basis is C\$1.50 per common share. A quarterly dividend of thirty-seven-and-one-half cents (C\$0.375) per common share will be paid on March 31, 2016, to shareholders of record at the close of business on March 10, 2016.

#### **20. CN reports Q4-2015 net income of C\$941 million, with diluted earnings per share (EPS) up 15% to C\$1.18**

CN on January 26, 2016 reported its financial and operating results for the fourth quarter and year ended Dec. 31, 2015. For the fourth-quarter of 2015: 1) Net income increased 11 per cent to C\$941 million, while diluted EPS increased 15 per cent to C\$1.18. 2) Operating income increased seven per cent to C\$1,354 million. 3) Revenues decreased by one per cent to C\$3,166 million. Carloadings declined eight per cent, and revenue ton-miles declined five per cent. 4) and the operating ratio improved by 3.5 points to 57.2 per cent. For the full year of 2015: 1) Net income increased 12 per cent to C\$3,538 million, with diluted EPS rising 14 per cent to C\$4.39. 2) Adjusted net income increased 16 per cent to C\$3,580 million, while adjusted diluted EPS increased 18 per cent to C\$4.44. 3) Operating income rose 14 per cent to C\$5,266 million. 4) Revenues increased four per cent to C\$12,611 million. Carloadings declined two per cent, and revenue ton-miles decreased three per cent. 5) The operating ratio for 2015 improved by 3.7 points to 58.2 per cent. 6) Free cash flow was a record C\$2,373 million, compared with C\$2,220 million for 2014. Claude Mongeau, president and chief executive officer, said: "CN generated strong fourth-quarter and full-year 2015 results despite the weak volume environment. Our solid performance is testament to the strength of CN's franchise and diversified portfolio of businesses. I am particularly proud that CN's team of railroaders quickly recalibrated resources to respond to weaker volumes, while protecting customer service."

#### **21. CN Rail chief Claude Mongeau returns from sick leave to announce strong earnings, outlook**

CN reported earnings per share of \$1.18 for the fourth quarter, ahead of analyst expectations and up 15 per cent from a year earlier. Revenues fell slightly to \$3.17 billion as weak commodity prices weighed on volumes, offsetting strength in consumer goods and benefits of a weak loonie. Volumes, measured in revenue ton-miles, fell five per cent in the quarter, but CN still managed to improve its operating ratio — a key measure of railroad efficiency, where a lower number is better — to 57.2 per cent, down 350 basis points. Jason Seidl, an analyst at Cowen & Co., wrote recently that "the rails may be facing an uphill battle in 2016," but said CN is particularly well positioned to fight through it. Both CN and CP get more than half of their revenues in U.S. dollars, while many of their expenses are in Canadian currency. CN said the weakness in the Canadian currency against the U.S. dollar boosted revenue by 9 per cent or \$87-million for the quarter.

#### **22. CN rides intermodal growth to double-digit profit rise**

Canadian National Railway on January 26, 2016 gave an uncertain but far rosier outlooks for 2016 than most of its North American counterparts after strong international intermodal volume gains helped propel it to a double-digit profit rise.

### **23. CN bucks freight rail trend, ups profits in 2015**

Canadian National Railway Co. increased profits for the fourth quarter and calendar year in 2015 despite weak demand across the North American rail freight industry. The Montreal-based railroad reported fourth quarter earnings grew 11 percent to C\$941 million (U.S. \$667.18 million) despite revenues declining 1 percent to C\$3.17 billion compared to the fourth quarter of 2014. Revenues increased for CN's automotive (13 percent), forest products (12 percent), intermodal (5 percent).

### **24. Railway Carloadings, November 2015**

The volume of rail freight carried in Canada totalled 28.2 million tonnes in November 2015, up 2.2% from the same month a year earlier. Freight originating in Canada increased 4.9% to 25.7 million tonnes. These shipments are composed of both non-intermodal and intermodal freight. Non-intermodal freight rose 4.6% to 281,000 carloads and intermodal freight loadings rose 5.7% to 177,000 units in November 2015.

### **25. CP-NS merger would fuel biggest rail industry shake-up since Staggers Act**

The potential merger of Canadian Pacific and Norfolk Southern railways, and the resulting tie-up such consolidation could spur, would shake up the Class I industry — and their shipper customers — to a degree not seen since the Staggers Act of 1980 dramatically reduced the number of major railroads operating in the U.S.

## **HIGHWAY TRANSPORTATION**

### **1. Total cost of ground transportation decreases**

The Total Cost of ground transportation for Canadian shippers dropped 2.7% in October 2015 when compared with September 2015 results, according to results published on December 30 by the Canadian General Freight Index (CGFI).

### **2. Tallman Group Acquires Tandet National Lease**

Tallman Group on January 7, 2016 said it completed its purchase of certain full service lease truck assets from Tandet National Lease on the final day of 2015.

### **3. 'Mother of Capacity Crunches' To Emerge Over Next Decade**

Shorter supply chains, increased e-commerce, more manufacturing activity and of course a long-awaited capacity shortage are expected to reshape trucking.

### **4. October 2015 North American Freight Numbers**

The value of U.S.-NAFTA freight totaled \$96.6 billion in October 2015 as all modes of transportation carried a lower total value of freight than a year earlier, according to the TransBorder Freight Data released today by the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS). October was the first month on record in which the total value of U.S.-Mexico freight flows exceeded U.S.-Canada freight flows. The value of U.S.-Canada freight totaled \$47.7 billion in October 2015, down 18.5 percent

from October 2014, as all modes of transportation carried a lower value of U.S.-Canada freight than a year earlier. The year-over-year decline in U.S.-Canada freight flows is the largest since the 19.4 percent decline between October 2008 and October 2009. Trucks carried 61.2 percent of the \$47.7 billion of freight to and from Canada, followed by rail, 15.4 percent; pipeline, 7.3 percent; air, 4.9 percent; and vessel, 4.1 percent.

### **5. December hiring pushes JOC trucking employment index to new high**

For-hire trucking companies hired 9,000 people in November and December 2015 combined, reversing a decline in preceding months.

### **6. EU approves FedEx takeover of TNT**

EU antitrust regulators on January 8, 2016 unconditionally approved FedEx's 4.4 billion euros (\$4.75 billion) acquisition of TNT Express. The acquisition did not raise any competition issues according to the regulators.

### **7. Truckers Hail Decision to Temporarily Relax U.S. In-Transit Rules**

## **HIGHWAY TRANSPORTATION Canada**

1. Total cost of ground transportation decreases 2, 2015, January 2, 2015, [www.ctf.ca](http://www.ctf.ca)
2. Tallman Group Acquires Tandet National Lease, January 7, 2016, [www.todaystrucking.com](http://www.todaystrucking.com)
3. 'Mother of Capacity Crunches' To Emerge Over Next Decade, January 8, 2016, [www.cantruck.ca](http://www.cantruck.ca)
4. October 2015 North American Freight Numbers, January 8, 2016, [www.bts.gov](http://www.bts.gov)
5. December hiring pushes JOC trucking employment index to new high, January 8, 2016, [www.joc.gov](http://www.joc.gov)
6. EU approves FedEx takeover of TNT, January 8, 2016, [www.joc.gov](http://www.joc.gov)
7. Truckers Hail Decision to Temporarily Relax U.S. In-Transit Rules, January 13, 2016, [www.cantruck.ca](http://www.cantruck.ca)
8. North American freight volumes down despite record online sales, January 13, 2016, [www.americanshipper.com](http://www.americanshipper.com)
9. November 2015 Freight Transportation Services Index (TSI), January 13, 2016, [www.bts.gov](http://www.bts.gov)

In the wake of the partial closure of the Nipigon River Bridge and the resulting traffic and trade delays, the Canadian Trucking Alliance and the Ontario Trucking Association are hailing a decision by US Customs and Border Protection (USCBP) to allow commercial vehicles to ship Canadian domestic goods in-transit through the U.S. using a limited data set at select ports of entry. The decision reflects industry discussions involving USCBP, the Canadian Border Services Agency (CBSA) and Public Safety Canada.

#### **8. North American freight volumes down despite record online sales**

North American shipment volumes and expenditures continue to decline in December 2015, falling 4.9 and 2.7 percent, respectively, compared with the previous month, according to the latest Cass Freight Index Report. Although the declines are not unusual for December, the logistics payment solutions provider said they capped off a second quarter of decline and are still well below 2014 levels.

#### **9. November 2015 Freight Transportation Services Index (TSI)**

The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, fell 1.0 percent in November 2015 from October 2015, falling after a one-month rise, according to the U.S. Department of Transportation's Bureau of Transportation Statistics.

### **GENERAL TRANSPORTATION**

#### **Canada**

##### **1. Transportation stocks take a tumble in 2015**

Bellwether transportation and logistics stocks have had a rough go of it in 2015. The Dow Jones Transportation Average, a U.S. stock market index that calculates the running average of the share prices of 20 major shipping companies, has fallen 17.9 percent throughout the course of the year. The DJTA closed at \$7,566.70 on Monday, Dec. 28, 2015 down 1,650.74 points from a closing price of \$9,217.44 on Dec. 29, 2014.

##### **2. National tourism indicators, third quarter 2015**

Tourism spending in Canada rose 1.1% in the 2015 third quarter, after increasing 0.7% in the previous quarter. This was the 10th consecutive quarterly gain in tourism spending and the largest increase since the second quarter of 2014. Tourism spending by Canadians at home rose 0.9% in the 2015 third quarter, after advancing 0.2% in the 2015 second quarter. Domestic tourism spending, which represents about

80% of all tourism spending in Canada, has increased since the second quarter of 2013. Growth was driven by outlays on passenger air transport (+2.6%). Spending on vehicle fuel (+1.2%), recreation and entertainment (+1.2%) and pre-trip expenditures (+1.2%), such as luggage, also contributed to the increase. Spending by international visitors in Canada increased 1.8% in the 2015 third quarter, following a 2.7% gain in the previous quarter.

##### **3. Pocket Guide to Transportation 2016**

The Bureau of Transportation Statistics (BTS) has published the Pocket Guide to Transportation 2016 – a quick reference guide to significant transportation statistics.

##### **4. Asia Pacific to lead global growth in 2016, IHS economist says**

China's transport infrastructure and trade-focused regional development plans, together with an increasing number of trade liberalization agreements, will support Asia Pacific in remaining the fastest growing and most dynamic region in the world economy in 2016.

##### **5. Travel between Canada and other countries, November 2015**

United States residents made 1.9 million trips to Canada in November 2015, an increase of 1.0% compared with October 2015. Canadian residents made 3.4 million trips to the United States in November, down 0.4% compared with October. The decrease was mainly attributable to a 3.9% decline in overnight car trips. Residents of overseas countries made 461,000 trips to Canada in November 2015, down 0.7% from October 2015. Travel by Canadian residents to overseas countries decreased 2.8% in November 2015 to 1.0 million trips.

##### **6. Tabling of the Agency's 2014-2015 Departmental Performance Report**

The Canadian Transportation Agency's **Departmental Performance Report: 2014-2015** was tabled in the House of Commons on January 25, 2016. This report provides information on the results achieved by the Agency for Canadians.

#### **Canada**

1. Transportation stocks take a tumble in 2015, December 29, 2015, [www.americanshipper.com](http://www.americanshipper.com)
2. National tourism indicators, third quarter 2015, January 7, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)
3. Pocket Guide to Transportation 2016, January 8, 2016, [www.bts.gov](http://www.bts.gov)
4. Asia Pacific to lead global growth in 2016, IHS economist says, January 13, 2016, [www.joc.com](http://www.joc.com)
5. Travel between Canada and other countries, November 2015, January 20, 2016, [www.statcan.gc.ca](http://www.statcan.gc.ca)
6. Tabling of the Agency's 2014-2015 Departmental Performance Report, January 26, 2016, [www.cta-otc.gc.ca](http://www.cta-otc.gc.ca)