

Transportation Information Update*

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1. Canada's New Government Announces Blue Sky's Agreement with Ireland
Canada has signed a new bilateral Agreement with Ireland. The new agreement, which replaces the 1947 Agreement, will permit a fully flexible operation aviation agreement with strong safety and security provisions. The removal of market access restrictions will lead to the introduction of new air services between the two countries, providing Canadians with more choices, shippers, air carriers and airports.

2. CAC Hails Open Skies with Ireland

The Canadian Airports Council welcomed the Federal Government's announcement that it has concluded an open skies agreement with Ireland, hailing it as a first good step in a European Union wide open aviation accord. This is particularly so because first, Ireland is one of Canada's important tourist destinations with historical links; and second, because traffic between Canada and the EU has doubled between 2002 and 2005 and is now Canada's second largest source of tourists.

3. Westjet introduces daytime flights to Hawaii

On April 30, 2007, Westjet introduced daytime flying from Vancouver to Hawaii to complement the existing winter schedule that begins on November 4, 2007. As a result, the number of flights to Hawaii will increase.

4. WestJet gears up for domestic dogfight

WestJet is seeking to lure travellers on the Ottawa-Montreal-Corridor. When it reduced prices in Central Canada, Air Canada retaliated by lowering fares on the Calgary-Edmonton-Vancouver corridor forcing WestJet to lower prices. The CEO of WestJet, Mr. Beddoe, indicated that he hopes to increase WestJet's market share to 37 percent from the present 35% at the expense of Air Canada. He believes that the current pricing environment is a health duopoly with no upstart airline to ruin the profit.

5. WestJet Announces Its Fifth Consecutive Quarter of Record Profit With Net Earnings of \$29.9 Million

On May 1, 2007, Westjet announced its first quarter 2007 financial results. For the first quarter of 2007 compared to the first quarter of 2006, it reported: net earnings of \$29.9 million compared to \$12.9 million, an increase of 132 per cent; revenue of \$479.2 million, compared to \$386.7 million, an improvement of 23.9 per cent; capacity or available seat miles of 3.4 billion compared to 2.9 billion, an increase of 19.1 per cent; load factor of 81.1 per cent, compared to 79.4 per cent, a 1.7 points; 2.8 billion revenue passenger miles compared to 2.3 billion, an increase of 21.6 per cent; and revenue per available seat mile of 13.9 cents, compared to 13.3 cents, an increase of 4.2 per cent. Sean Durfy, WestJet's President said "Our first quarter results reflect WestJet's ability to deliver three key elements crucial for success: more guests are flying with us, revenue is increasing and costs have been controlled; all while growing our capacity a significant 19 per cent. Our strategic decision making, brand strength and exceptional guest experience, delivered by our dedicated team of WestJetters, makes us one of the most profitable airlines in North America."

6. Transport Canada and Industry Partner to Improve Aviation Safety

Transport Canada hosted the 5th annual meeting of the Canadian Aviation Executives Safety Network. The network enables Transport Canada and leaders from the Canadian aviation industry to work together to enhance aviation safety in Canada. the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities at the meeting said that "Canada's New Government must continue to work with the aviation industry to maintain the public's high level of confidence in the safety of Canada's air transportation system."

* **The CTRF is not responsible for the information provided in this Update.**

** **The information provided is from the Authors and neither the Competition Bureau or Industry Canada is responsible for it.**

Current Developments in Brief

Air Transportation

CANADA

1. Canada's New Government Announces Blue Sky's Agreement with Ireland, April 30, 2007, www.tc.gc.ca
2. CAC Hails Open Skies with Ireland, April 30, 2007, www.cacairports.ca
3. Westjet introduces daytime flights to Hawaii, April 30, 2006, www.westjet.ca
4. WestJet gears up for domestic dogfight, May 1, 2007, www.globeandmail.ca
5. WestJet Announces Its Fifth Consecutive Quarter of Record Profit With Net Earnings of \$29.9 Million, May 1, 2007, www.westjet.ca
6. Transport Canada and Industry Partner to Improve Aviation Safety, May 1, 2007, www.tc.gc.ca
7. Air Canada expands year-round service to Florida, May 1, 2007, www.tc.gc.ca
8. EU International Aviation - The roadmap is based on three key pillars, www.europa.eu
9. Canada's Airports Support House Committee Call for an International Business Strategy, May 2, 2007, www.cacairports.ca
10. Air Canada reports record April traffic, May 4, 2007, www.aircanada.ca
11. Air Canada announces new daily year-round non-stop service between St. John's and Deer Lake; launches new daily service between Deer Lake and Toronto on May 4, May 3, 2004, www.aircanada.ca
12. WestJet Reports Announces Record April Load Factor, May 4, 2007, www.westjet.ca
13. CHC Helicopter stock grounded despite booming aerospace, energy sectors, May 4, 2007, www.globeandmail.ca
14. Aircraft movement statistics: Major Airports, May 8, 2007, www.statcan.ca
15. Air Canada reports first quarter results, May 11, 2007, www.aircanada.ca
16. Jazz profit rises 5.5%, May 10, 2007, www.globeandmail.ca
17. Air Security Strengthened - Passenger Protect Ready to Take Flight, May 11, 2007, www.tc.gc.ca
18. Aircraft movement statistics, May 14, 2007, www.statcan.ca
19. WestJet Set for Take-Off; Kitchener-Waterloo-Cambridge, Saint John and Deer Lake Start Today, May 14, 2007, www.westjet.com
20. KKR enters bidding war for Air Canada division, May 16, 2007, www.globeandmail.ca
21. Canada's New Government Announces First Air Transport Agreement with Kuwait, May 17, 2007, www.tc.gc.ca

7. Air Canada expands year-round service to Florida

Air Canada announced on May 1, 2007 that it is expanding its service to Florida and giving customers more options for travel to the U.S. by adding a year-round, non-stop weekly flight between Toronto and Fort Myers starting June 16, 2007.

8. EU International Aviation - The roadmap is based on three key pillars

On April 30, 2007, the EU International Policy signed an Open Skies Agreement with the US which will go into effect in March 2008. The EU International Policy is based on three pillars: 1. Amending approximately 1,500 air services agreements Member States have with their partners, either through bilateral or horizontal agreements, in order to ensure that third countries accept the notion of European air carrier; 2. Creating by 2010 a Common Aviation Area comprising the EC and its partners located along its southern and eastern borders, with a view to achieving a high degree of economic and regulatory integration of aviation markets in this area; and 3. Launching targeted negotiations seeking to achieve global agreements in the major regions of the world, with the aim of strengthening the prospects for ensuring fair competition in the most dynamic world markets, while at the same time helping to reform international civil aviation and promoting European regulations and industry.

9. Canada's Airports Support House Committee Call for an International Business Strategy

On May 2, 2007, the Canadian Airports Council endorsed several key recommendations of the House of Commons Standing Committee on International Trade Steps to a Better Policy. Those singled out were: negotiate more international air transport agreements; wrap up existing free trade agreements; pursue more investment protection and promotion agreements; and improve domestic policy to help Canadian companies to compete globally. It accordingly urged the government to act on these recommendations of the Committee.

10. Air Canada reports record April traffic

On May 4, 2007, Air Canada reported a record load factor for the mainline carrier of 83.2 per cent in April 2007, the highest ever for the month, up from 82.2 in April 2006. The mainline carrier flew 3.5 percent more revenue passenger miles (RPMs) in April 2007 than in April 2006. Air Canada's capacity increased by 2.2 percent for April 2007. Jazz's capacity for April 2007 increased by 20.1 per cent, resulting in a load factor of 74 percent, compared to 71.3 per cent in April 2006; an increase of 2.7 percentage points. On a combined basis (Air Canada and Jazz) system traffic rose 5.1 per cent on a capacity increase of 3.7 percent, resulting in a load factor of 82.3 percent for April 2007.

11. Air Canada announces new daily year-round non-stop service between St. John's and Deer Lake; launches new daily service between Deer Lake and Toronto on May 4

Air Canada announced on May 3, 2007 that it will expand its network in Newfoundland and Labrador with the start up of two new, daily non-stop flights between St. John's and Deer Lake, effective June 30, 2007.

12. WestJet Reports Announces Record April Load Factor

WestJet announced on May 4, 2007, a load factor of 82.8 per cent for April 2007, exceeding last year's April load factor of 78.5 per cent and setting a new high for the month. Revenue passenger miles (RPMs) and available seat miles (ASMs) for April 2007 increased by 23% and 16% over April 2006, respectively. Sean Durfy WestJet's

president said "Beyond the considerable year-over-year improvement in domestic load factor, our U.S. and Caribbean transborder deployment strategy delivered strong load factors in April. We are continually optimizing our fleet deployment, benefiting from our previous experience. ..."

13. CHC Helicopter stock grounded despite booming aerospace, energy sectors

CHC Helicopter Corp. which bases about two-thirds of its business on the oil and gas industry, has disappointed

22. WestJet Announces New Mobile Check-In Option, May 17, 2007, www.westjet.com
23. Additional Safety Measures for Canadian Air Travellers, May 19, 2007, www.tc.gc.ca
24. Scheduled air passenger origin and destination: Canada-United States, May 22, 2007, www.statcan.ca
25. Aircraft movement statistics: Major airports [April 2007], May 23, 2007, www.statcan.ca
US/EU
1. BTS Releases North American surface transportation numbers for February 2007: February surface trade numbers with Canada and Mexico fell 0.2 percent from February 2006, April 30, 2007, www.dot.gov
2. US and European Union sign historic Air Transport Agreement, April 30, 2007, www.dot.gov
3. Transatlantic leaders to unveil plans for enhanced economic integration at EU-US summit, April 30, 2007, www.eu.europa
4. Mergers: Commission opens in-depth inquiry into Travelport's proposed acquisition of Worldspan, May 4, 2007, www.europa.eu
Mergers: Commission approves proposed acquisition of MyTravel Group by KarstadtQuelle, May 7, 2007, www.europa.eu
5. Airlines On-Time Performance in March Better Than February But Slips From Previous Year, May 7, 2007, www.tc.gc.ca
6. BTS [US Bureau of Transport Statistics] Releases Fourth-Quarter 2006 System Airline Financial Data; Passenger Airlines Report Largest Fourth-Quarter Profit Margin Since 1999, May 14, 2007, www.dot.gov
7. Possible revision of [EU] Regulation 2299/89 on a Code of Conduct for computerised reservation systems (CARS), May 14, 2007, www.europa.eu
8. U.S. Airports Must Continue to Expand to Meet Continued Air Travel Demand, Study Shows, May 15, 2006, www.dot.gov
9. BTS Releases March Passenger Airline Employment Data; March 2007 Employment Up 0.6 Percent from March 2006, May 15, 2006, www.dot.gov
10. U.S. DOT Clears Virgin America to Begin Flying, May 18, 2007, www.dot.gov
U.S. Transportation Secretary Peters and Chinese Minister of Civil Aviation Yang Reach New Agreement to Double Number of Passenger Flights, Ease Most Restrictions on Cargo Flights Between Two Countries, May 23, 2007, www.dot.gov

investors in the last two years. The stock has lost 4% over this period. Analysts have downgraded the present value of the stock. However, one manager of a Fund holds a more enthusiastic outlook. He likes CHC's positioning, noting that "it is a major player in an industry that is growing ... that is oligopolistic ... [and that has] high barriers to entry." He notes that CHC is one of the two biggest players in that industry, and that it "has a huge fleet," which has been increasing. Further, most of CHC's fleet is under long-term contracts and over half of those contracts are based on fixed monthly payments. Part of the disappointment in its profit picture is the recent expansion in its fleet and long-term contract.

14. Aircraft movement statistics: Major Airports

Aircraft take-offs and landings at the 96 Canadian airports with NAV CANADA air traffic control towers were 4.2% higher in March 2007 compared with February 2006. Take-offs and landings reached 485,477 movements (at 97 airports) in March 2007 compared with 466,092 movements (at 96 airports) the same month a year earlier.

15. Air Canada reports first quarter results

Air Canada reported on May 11, 2007 its first quarter results with the Air Canada Services segment (i.e., excluding Jazz) recording: passenger revenues \$135 million or 7 per cent over the first quarter of 2006; passenger load factor at 80.2 per cent; operating loss of \$78 million compared to an operating loss (excluding special charges) of \$96 million in the first quarter of 2006, an improvement of \$18 million; and net loss of \$34 million in the first quarter of 2007 compared to a net loss of \$126 million in the 2006 quarter. Montie Brewer, Air Canada's President and Chief Executive Officer said "I am pleased to report a solid first quarter with encouraging year-over-year performance during what is traditionally the industry's weakest period for travel demand, ...Performance in the domestic market, in particular, excelled..."

16. Jazz profit rises 5.5%

Jazz Air Income Fund, the regional air wing of major carrier Air Canada, reported on May 10, 2007 a 5.5 per cent increase in its first-quarter profit to \$35.3-million. Operating revenue rose 13.8 per cent to \$364.2-million from \$320-million in the same period of 2006. President and CEO Joseph Randall said "I'm pleased with our financial and operational performance for the first quarter of 2007."

17. Air Security Strengthened - Passenger Protect Ready to Take Flight

On May 11, 2007, government officials announced new regulations that will strengthen air passenger security screening. Canadians will not need a passport for travel within Canada but rather can present a range of government-issued ID to the air carriers including a health card, a birth certificate, a driver's licence and a social insurance card. Current requirements for international travel will remain in place.

18. Aircraft movement statistics [April 2007]

Aircraft take-offs and landings at the 42 Canadian airports with NAV CANADA air traffic control towers were 4.7% higher in April 2007 compared with April 2006. Take-offs and landings reached 400,069 movements in April 2007 compared with 382,266 movements for the same month a year earlier. Overall, 24 airports reported increases in aircraft movements.

19. WestJet Set for Take-Off; Kitchener-Waterloo-Cambridge, Saint John and Deer Lake Start Today

On May 14, 2007, WestJet commenced seasonal non-stop service to three new destinations in Eastern Canada. The cities of Kitchener-Waterloo-Cambridge (Ontario), Saint John (New Brunswick), and Deer Lake (Newfoundland and Labrador) bring WESTJET's total destinations to 38 - 26 across Canada and 12 in the U.S. and Caribbean.

20. KKR enters bidding war for Air Canada division

U.S. private equity giant Kohlberg Kravis Roberts & Co. has emerged as one of three foreign front-runners bidding for a piece of Air Canada Technical Services (ACTS), battling against the lone Canadian contender in the top four, Gerald Schwartz's Onex Corp. ACTS which performs aircraft maintenance and repair and overhaul – could be worth a total of \$700-million to \$1-billion. In the first quarter, ACTS lost \$2-million, compared with a \$23-million loss a year earlier, but its revenue rose to \$253-million from \$200-million. ACE values ACTS's assets at \$1-billion. ACTS currently has 625 employees in Winnipeg, 50 in Ontario and 2,125 in Montreal.

21. Canada's New Government Announces First Air Transport Agreement with Kuwait

Government officials announced Canada's first air transport agreement with the State of Kuwait for scheduled air services on May 17, 2007. With direct air links, this agreement will provide more choice and benefits for travellers, air carriers and airports, and will contribute to increasing the bilateral air travel market. It will also create new opportunities

for trade and investment. This agreement will provide for: serving destinations of their choice in the each country by designated carriers, flexible pricing regimes and code sharing.

22. WestJet Announces New Mobile Check-In Option

WestJet announced on May 17, 2007 a new mobile check-in option, providing guests with a time-saving alternative to check in for their flights. Once at the airport, all guests have to do is collect their boarding pass from a WestJet customer service agent or self-serve kiosk, drop off their bags at the self-serve baggage drop and enjoy their flight. Guests can also select their seat from 24 hours to 30 minutes prior to their domestic flight using their mobile device.

23. Additional Safety Measures for Canadian Air Travellers

On May 19, 2007, Transport Canada announced a proposed amendment to the Canadian Aviation Regulations to help protect the safety of air travellers and crew members. It would deal with passengers whose words or actions could interfere with the safe operation of the aircraft and create an unintended hazard for the aircraft, its crew and its passengers. It would also strengthen air operators' ability to protect the safety of all passengers and crew by refusing to board those who may represent a threat to that safety.

24. Scheduled air passenger origin and destination: Canada-United States [2005 preliminary]

In 2005, just under 16.5 million passengers travelled on scheduled services between Canada and the United States, up 6.0% compared to 2004 (15.5 million passengers). This was the second consecutive year that traffic volumes for scheduled services hit record levels.

25. Aircraft movement statistics: Major airports [April 2007]

Canadian airports with NAV CANADA air traffic control towers and flight service stations [96] reported 505,135 movements in April 2007 compared with 484,635 movements at 97 airports in April 2006, an increase of 4.2% (+20,500 movements). This is the 11th consecutive increase.

WATER TRANSPORTATION

1. Canada's New Government Announces New Regulations to Protect Marine Environment

On May 8, 2007, government officials announced new regulations to protect marine environment. The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities said that "These new requirements and improvements to existing regulations demonstrate the Government of Canada's commitment to ensuring a cleaner and healthier marine environment." Further, "They align Canadian practices with international standards, making Canada a leader in the prevention of marine pollution." The regulations are a compilation of existing requirements under the *Canada Shipping Act*, and international marine standards and add the optional provisions of an International Convention on prevention of pollution from ships.

2. Canada's New Government Invests \$12.5 Million in Marine Security Projects Across the Country

On May 10, 2007, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities announced that 115 projects aimed at enhancing security at Canadian ports and domestic ferry services will receive funding under the Marine Security Contribution Program. This round of funding will provide up to \$12.5 million to 22 ports and domestic ferry services across the country. The funds will be used for security enhancements such as surveillance equipment, dockside and perimeter security, command, control and communications equipment, and training.

3. Canada's New Government Announces Projects for the Asia-Pacific Gateway and Corridor Initiative

The Honourable David Emerson, Minister of International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics, announced \$491.7 million in funding for 10 strategic infrastructure projects for the Asia-Pacific Gateway and Corridor Initiative on May 11, 2007. Of the 10 projects, six will be in British Columbia and four will be in Alberta, Saskatchewan and Manitoba.

4. CN signs up COSCO to route Asian container traffic via new Port of Prince Rupert container terminal

On May 14, 2007, CN announced that it has signed a contract with COSCO Container Lines Americas, Inc., under which COSCO will become the first steamship company to route Asian freight (beginning in the fourth quarter of 2007) over the new Port of Prince Rupert container terminal and CN's North American rail network.

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

The Port of Vancouver reported that total containers for April 2007 increased by 7% over April 2006. Imports increased by 7% whereas exports increased by 6%. The total TEUs for April 2007 were 190,007 which consisted of 96,788 imports and 93,220 exports.

6. Maher signs Cosco for Prince Rupert calls

Maher Terminals of Canada Corp. announced on May 16, 2007 that it has reached an agreement with China Ocean Shipping Co. to commence calling at the new container terminal under development at the Port of Prince Rupert, B.C. Maher Terminals, based in Berkeley Heights, N.J., is developing the terminal jointly with Canadian National and Prince Rupert Authority.

7. The Port of Halifax, Monthly Statistics [April 2007]

Statistics released by the Port of Halifax indicates that the number of TEUs for April 2007 was 46,737 an increase of 1.2% from 46,190 TEUs in April 2006. Total cargo (which includes bulk, containerized, ro/ro and breakbulk) for April 2007 was 916,500 metric tonnes a decline of 27.9% from 1,271,417 in April 2006. The fall in total cargo is mainly attributed to the decline in bulk cargo of 42.7%.

8. Vancouver port traffic moving despite Canadian Pacific strike

Canadian Pacific Railway said intermodal traffic at the Port of Vancouver is moving freely despite a strike by unionized track maintenance workers. At Canadian Pacific's large intermodal terminal at Pitt Meadows in suburban Vancouver, pickets had caused "considerable delays" to trucks. The railway is awaiting court decisions on its requests for injunctions against protestors at key inland intermodal terminals across Canada.

9. Port of Montreal - Cumulative traffic summary January to April (metric tonnes)

Cumulative traffic (general excluding bulk) at the Port of Montreal for the period January to April indicates that it increased by 1.7%. Containerized traffic increased by 4.1% and non-containerized traffic decreased by 40.5%. Inbound and outbound traffic moved in opposite directions quite dramatically. Cumulative bulk cargo (dry and liquid) for this period increased by 4.2%.

RAIL TRANSPORTATION

1. CN pursues alternative fuels growth strategy

On April 30, CN announced its alternative fuels growth strategy focussed on generating new business from the transportation of ethanol feedstock, wood pallets and biodiesel fuels. The strategy is designed to reduce energy costs, fuel-related emissions and greenhouse gases.

2. Canadian Pacific – Transport Canada complete negotiations on hopper car operating agreement

On May 3, 2007, Canadian Pacific announced it has completed negotiations with Transport Canada on a new operating agreement for the 6,300 federally owned hopper cars in CP service. Under the agreement with Transport Canada, CP will, in addition to its normal maintenance practices, undertake over the next five years an extensive hopper car inspection and refurbishment program to ensure a quality fleet. This will include the replacement of poor-performing discharge gates with technologically superior units as well as a general refurbishment program for the other gates on these cars.

3. Canadian Pacific announces US\$450 million debt offering

On May 3, 2007, Canadian Pacific Railway Limited announced that its wholly-owned subsidiary, Canadian Pacific Railway Company, is issuing US\$450 million of 5.95% Notes due May 15, 2037. The transaction is expected to close May 8, 2007. The net proceeds from this offering of approximately US\$439 million will be used to repay an outstanding balance on a revolving credit facility, provide funding to finance the repurchase of CP shares through normal course issuer bids and for general corporate purposes.

Water Transportation

Canada

1. Canada's New Government Announces New Regulations to Protect Marine Environment, May 8, 2007, www.tc.gc.ca

2. Canada's New Government Invests \$12.5 Million in Marine Security Projects Across the Country, May 10, 2007, www.tc.gc.ca

3. Canada's New Government Announces Projects for the Asia-Pacific Gateway and Corridor Initiative, May 11, 2007, www.tc.gc.ca

4. CN signs up COSCO to route Asian container traffic via new Port of Prince Rupert container terminal, May 14, 2007, www.cn.ca

5. Port of Vancouver, Accumulated Traffic Report [April], May 14, 2007, www.portvancouver.com

6. Maher signs Cosco for Prince Rupert calls, May 16, 2007, www.joc.com

7. The Port of Halifax, Monthly Statistics [April 2007], May 23, 2007, www.portofhalifax.ca

8. Vancouver port traffic moving despite Canadian Pacific strike, May 24, 2007, www.joc.com

9. Port of Montreal - Cumulative traffic summary January to April (metric tonnes), May 28, 2007, www.portofmontreal.ca

US

1. Overseas executives charged with bid rigging, May 8, 2007, www.americanshipper.com

2. Global Insight: Port volume to break records twice in two months, May 8, 2007, www.americanshipper.ca

3. PA [Port Authority of New York] approves sale of New York Container Terminal, May 10, 2007, www.joc.com

4. Canadian Pacific subsidiary Soo Line Railroad reaches negotiated contract settlement covering its locomotive engineers

Canadian Pacific, on May 3, 2007, announced that it has reached a tentative contract settlement with the Brotherhood of Locomotive Engineers & Trainmen, a Division of the Rail Conference of the International Brotherhood of Teamsters (BLET). The settlement applies to CP's US subsidiary, Soo Line Railroad, and covers 440 locomotive engineers. It covers the period 2005-9 and contains a 17% general increase in wages.

5. CN freight train derails near St. Leonard, N.B.

On May 10, 2007, CN indicated that one of its freight trains derailed at 4.20 p.m. (Atlantic time) near Saint-Leonard, N.B. At that time, there did not appear to have been any leaks of dangerous commodities involved in the derailment. Among the 55 derailed cars are two tank cars loaded with liquefied petroleum gas, a tank car of mineral oil product, and two empty tank cars containing residue of muriatic or hydrochloric acid.

6. Contract talks between CP Rail and maintenance workers derailed

Canadian Pacific's track maintenance and expansion employees have been without a contract since September 2006. Recently, contract talks between CP Rail and its maintenance workers have broken off, as a result, the nation may be heading for its second railway strike this year.

7. CP launches plan to maintain operations as track maintenance employees go on strike

On May 12, 2007, union representing its maintenance of way workers notified the company that it plans to strike at 11:59 PM MDT, May 15, 2007. Canadian Pacific is planning to deploy trained management employees to safely maintain its operations during a strike. The Company's settlement proposed increases of 3%, 4% and 3% over the 3 year term, 2007-2009, in addition to improved pension and benefits. However, the union wants 12 to 13% over the period.

8. Canada's New Government and the Railway Association of Canada Are on Track Towards a Cleaner, Greener Rail System

On May 15, 2007, officials from the federal government and the Railway Association of Canada (RAC) announced a new agreement (Memorandum of Understanding (MOU)) that will help reduce air pollution and greenhouse gas (GHG) emissions in the rail sector. This MOU is with Canadian National, Canadian Pacific, Via Rail and Go Transit. These four railways have collectively agreed to: adopt greenhouse gas targets that will reduce GHG emissions; prepare an action plan for GHG emissions reduction; purchase only new, EPA-certified locomotives; and upgrade existing in-service locomotives when they are overhauled, beginning in 2010, to the EPA standards in effect at that time.

9. CP Rail maintenance crews on strike

The railway's second strike in Canada began on May 16, 2007 when employees of the Canadian Pacific Railway walked off the job at 2.00am. CP Rail officials say it will deploy 1,300 trained management employees to do the tasks normally performed by the striking workers. CP Rail will not agree to the Teamster union's demand for a 13 per cent wage increase over three years.

10. Truckers first to feel impact of CPR strike

The strike by 3,200 Canadian Pacific Railway Ltd. track maintenance workers has first begun to slow big trucks picking up container loads of imported consumer goods stored at rail terminals. Spokesman for CPR said "It's a mild irritation to the truckers, but it's not affecting our actual train service." Despite CPR's assurances of smooth deliveries, rail

Rail Transportation

Canada

1. CN pursues alternative fuels growth strategy, April 30, 2007, www.cn.ca
2. Canadian Pacific – Transport Canada complete negotiations on hopper car operating agreement, May 3, 2007, www.cpr.ca
3. Canadian Pacific announces US\$450 million debt offering, May 3, 2007, www.cpr.ca
4. Canadian Pacific subsidiary Soo Line Railroad reaches negotiated contract settlement covering its locomotive engineers, May 3, 2007, www.cpr.ca
5. CN freight train derails near St. Leonard, N.B., May 10, 2007, www.cn.ca
6. Contract talks between CP Rail and maintenance workers derailed, May 11, 2007, www.ctl.ca
7. CP launches plan to maintain operations as track maintenance employees go on strike, May 12, 2007, www.cpr.ca
8. Canada's New Government and the Railway Association of Canada Are on Track Towards a Cleaner, Greener Rail System, May 15, 2007, www.tc.gc.ca
9. CP Rail maintenance crews on strike, May 16, 2007, www.globeandmail.ca
10. Truckers first to feel impact of CPR strike, May 17, 2007, www.globeandmail.ca
11. CN plans sale of Central Station Complex in Montreal, leaseback of headquarters building and rail station's passenger facilities, May 18, 2007, www.cn.ca
12. Railway carloadings [March 2007], May 22, 2007, www.statcan.ca
13. Canadian Pacific wins prestigious awards from Toyota, May 23, 2007, www.cpr.ca
14. CN to confirm 2010 Vision financial targets at Toronto analyst meeting, May 23, 2007, www.cn.ca
15. Stop trains or natives will: chiefs, May 24, 2007, www.globeandmail.ca
16. Canadian Pacific wins injunctions against strikers, May 25, 2007, www.joc.com

US

1. Lawmakers introduce new rail competition bill, May 8, 2007, www.joc.com
2. Shipper suit alleges railroad price-fixing, May 16, 2006, www.joc.com
3. Reducing Human Error and Strengthening Hazardous Materials Tank Cars Top Rail Safety Agenda for 2007, says DOT Secretary Peters, May 22, 2007, www.dot.gov

customers such as manufacturers and the Canadian Wheat Board are nervous about any potential disruptions.

11. CN plans sale of Central Station Complex in Montreal, leaseback of headquarters building and rail station's passenger facilities

On May 18, 2007, CN announced plans to sell its Central Station Complex (CSC) in Montreal, and to lease back its corporate headquarters building and the railway passenger facilities of the station, two key components of the CSC. Given the lease back arrangements this transactions will not affect the location of CN's corporate headquarters in Montreal or the rail passenger facilities of Central Station.

12. Railway carloadings [March 2007]

Railways reported that total tonnage increased to 23.4 million metric tonnes in March 2007, up 16.1% from February 2007. The increase was largely due to a work disruption in February which affected rail traffic for about two weeks. Of this total, 2.5 million metric tonnes consisted of intermodal freight, a 18.6% increase from February. About 21.0 million tonnes consisted of non-intermodal freight, up 15.8%. On a year-over-year-basis, intermodal loadings remained about the same, edging up 0.5% and non-intermodal tonnage dropped 7.3% from March 2006. Traffic received from the United States rose 13.3%.

13. Canadian Pacific wins prestigious awards from Toyota

Toyota Logistics Services has awarded Canadian Pacific Railway with the automaker's 2006 Presidents' Award for Rail Carriers and an Excellence Award for Customer Service on May 23, 2007.

14. CN to confirm 2010 Vision financial targets at Toronto analyst meeting

CN said on May 23, 2007 that it will confirm its 2010 Vision on financial targets first established in November 2005 over the course of its two-day analyst meeting and it will be made available on its website in the next few weeks.

15. Stop trains or natives will: chiefs

On May 24, 2007, Canada's native chiefs indicated that it will pressure the national railways to close down for the Assembly of First Nations' "day of action" on June 29, 2007. If the railways refuse, they could face blockades from individual native bands. The natives are using these pressure tactics in an effort to force the government into doing what it wants.

16. Canadian Pacific wins injunctions against strikers

On May 24, 2007, Canadian Pacific was granted an injunction restricting picketing by striking track maintenance workers at the railroad's yard in Edmonton, Alberta. It also obtained injunctions at other locations e.g. Vaughn, Winnipeg, etc. It is attempting to get injunctions at Edmonton and Toronto.

HIGHWAY TRANSPORTATION

1. The bridge battle of Matty Moroun

Matty Moroun, the owner of the Detroit-Windsor Ambassador Bridge, wants to build a new structure directly to its west to capitalize on commercial traffic flowing across the border. He is the CEO of CenTra Inc. a diversified company whose assets include Ambassador Bridge. According to a report in the *Globe and Mail*, Matty Moroun is engaged in a high-stakes conflict that threatens his legacy. In 1979, he bought the bridge from Warren Buffett. His proposal to construct a new bridge has run head-on into two competing bids. The first by Detroit River International Crossing backed by the governments of US and Canada, and the second by a tunnel under the Detroit River. Accusations of him being a monopolist were defended by him in that "he views himself as a good will ambassador of sorts, a man who helps ensure business trade between Canada and the United States." Mr. Moroun indicates that his proposal to build alternative routes makes the most sense and that he deserves to maintain control over the Detroit -Windsor artery given his expertise in unsnarling traffic jams and guarding against terrorism.

2. Canada and Ontario Invest in New Technology to Keep Border Traffic Moving Smoothly

On May 7, 2007, government officials announced the introduction of new Intelligent Transportation Systems technology at the Blue Water Bridge border crossing along Highway 402 to enhance safety and help improve the flow of traffic. Both governments are contributing a total of \$4.4 million for this technology. More than \$115 million in goods cross at this border point each day.

3. Domestic travel

According to Statistics Canada, Canadian residents spent \$31.6 billion within the country during 2005 on domestic travel. Over 80% of the money spent on domestic travel was for pleasure trips (\$16.5 billion) and for visiting friends and/or relatives (\$9.3 billion).

4. Ontario's Construction Season Hits The Highway

On May 15, 2007, the McGuinty government indicated that it is investing more than \$1.7 billion this year - a record investment - to expand, repair and improve Ontario's highways, roads and bridges. The projects include: extending Highway 410; widening parts of the QEW from four to six lanes; and repairing parts of Highway 401.

5. CN Drops legal action against Mohawks

Canadian National Railway Co. said on May 18, 2004 that it would withdraw legal action against the Mohawks of the Bay of Quinte after receiving sworn evidence that the Chief and Band Council neither authorized nor approved the April 20 blockade of CN's main line near Deseronto, Ont. However, participants in the strike were not so lucky as CN continues to seek damages from them.

6. As Vancouver gas prices soar, so does transit use

Gas prices continue to rise in Canada but more so in Vancouver and with it the number of people who use the public transit. From January to April 2007, Vancouver's Translink system saw a 11-per-cent increase in ridership over the same period last year on its light-rail service, while the rest of the system saw a 3-per-cent rise. The Prime Minister said "We became convinced that, quite frankly there was a limited amount we could do with helping consumers specifically with gas prices." A member of the David Suzuki Foundation said we believe that we do need to pay higher gas prices that really reflect the full cost of using fossil fuels.

7. Greyhound Canada suspends service in West

Greyhound Canada has announced that it is temporarily suspending passenger and parcel delivery services at midnight on May 17, 2007 in Western Canada due to a labour dispute. The move will affect service within British Columbia, Alberta, Saskatchewan, and Manitoba. It will also affect service between Winnipeg and Toronto as well as Winnipeg and Ottawa.

8. New National Standard for Daily Vehicle Inspections Adopted By Ontario

Starting 1 July 2007, carriers operating in Ontario will have to begin the transition to the new National Safety Code requirements for daily vehicle inspections. OTA President said that the new regulations "is more practical and clear in terms of what a driver can and should be expected to inspect."

9. Large urban transit

Combined ridership on 10 large urban transit systems in Canada was 2.7% higher in March 2007 than it was for the same month in 2006. Approximately, 129.6 million passenger trips were taken on these transit systems in March. The trips generated \$202.3 million in revenue in March (excluding subsidies), a 5.3% increase over March 2006.

10. Canada's New Government Announces Round Three Call for Applications and Extension of Transit-Secure Program

The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, announced on May 23, 2007 a call for applications for the third round of funding under Transit-Secure. It is an \$80-million passenger rail and urban transit security contribution program and is open to transit operators from the six largest urban centres in Canada that

Highway Transportation

Canada

1. The bridge battle of Matty Moruoun, *The Globe and Mail*, April 28, 2007, pp. B1/B4.
2. Canada and Ontario Invest in New Technology to Keep Border Traffic Moving Smoothly, May 7, 2007, www.tc.gc.ca
3. Domestic travel, May 15, 2007, www.tc.gc.ca
4. Ontario's Construction Season Hits The Highway, May 15, 2007, www.mto.gov.ca
5. CN drops legal action against Mohawks, May 18, 2007, www.americanshipper.ca
6. As Vancouver gas prices soar, so does transit use, May 18, 2007, www.globeandmail.ca
7. Greyhound Canada suspends service in West, May 17, 2007, www.globeandmail.ca
8. New National Standard for Daily Vehicle Inspections Adopted By Ontario, May 16, 2007, www.ontruck.ca
9. Large urban transit, May 22, 2007, www.tc.gc.ca
10. Canada's New Government Announces Round Three Call for Applications and Extension of Transit-Secure Program, May 23, 2007, www.tc.gc.ca
11. McGuinty Government To Improve Commuters Lives With HOV Lane Network, May 24, 2007, www.mto.gov.ca

US

1. US and Mexican trucks will begin cross-border demonstration program at the same time, April 30, 2007, www.dot.gov
2. BTS Releases Transportation Services Index (TSI); Index Rose 1.6 Percent in March from February, May 9, 2007, www.dot.gov
3. Detroit and Laredo were Top 2006 Ports for Trade by Truck, According to New BTS Special Report, May 16, 2007, www.dot.gov

have completed risk assessments and developed comprehensive security plans.

11. McGuinty Government To Improve Commuters Lives With HOV Lane Network

The McGuinty government is planning to introduce a high occupancy vehicle (HOV) lane plan. It is designed to get more people carpooling and onto public transit. Transportation Minister Donna Cansfield said "In the next 25 years we expect to see an increase of nearly two million vehicles on our roads. Our exciting and forward-thinking HOV network plan will help address this growth and move people and goods more efficiently now and for generations to come."

Other Transportation

1. Canada, United States and Mexico sign Trilateral Declaration

Government officials from Canada, United States and Mexico have signed a trilateral declaration to confirm and advance the commitment of the three countries to develop coordinated, compatible and integrated transportation systems. Such systems will share the vision of the three countries to social and economic development, trade, co-operation and health environment. Globalization has increased the benefits to the three countries but has placed strains on our transportation systems. A process is initiated linked to the following objectives: Aviation Co-operation; Trade Facilitation Co-operation; Safety Co-operation; and Regulatory and Information Co-operation. To achieve these objectives the three countries agreed to increase co-operation both bilaterally and trilaterally.

2. Review of methodologies in transport inquiries, Competition Commission

The Competition Commission (CC) has conducted six merger inquiries in the transport sector under the *Enterprise Act 2002*. In this paper, the authors examine the themes from transport inquiries under this Act. The note is structured along the following aspects: market definition; competitive assessment

- overlaps and filters; elasticities, diversion ratios and surveys; counterfactual; and theory of harm/profitability (including the effect of regulation and entry/expansion). In conclusion, while practice has varied according to the specific nature of the inquiry, the CC has (a) developed a fairly consistent approach and (b) improved its approach to transport inquiries. The CC has normally defined the relevant markets as point-to-point flows and possible wider network markets and have analysed the ease of demand-side substitution on a flow-by-flow basis in the competitive assessment. In most inquiries, the CC has identified and filtered overlaps to prioritize analysis and used estimates of elasticities and diversion ratios to model the profit incentives arising from the merger. The CC has assessed the likely constraints on the ability of the parties to pursue merger-specific profitable incentives, including the constraints from regulation and entry or expansion. Finally, in most inquiries, the CC has compared the fares and other aspects of generalized costs such as frequencies of the overlapping flows in order to determine the likely competitive effects of the merger.

3. \$1 Billion Commitment to the Gateway and Corridor

Prime Minister Harper announced at the International Conference on Gateways and Corridors on May 4, 2007 that \$800 million of the Asia-Pacific Gateway and Corridor Initiative (APGCI) funding will be spent in British Columbia, in recognition of that province's strategic role. Of the 10 new APGCI projects, six will be in BC and four in the Prairie Provinces. He said "At the dawn of the 21st century, no country in the world is better positioned than Canada to prosper in the emerging global economy. The Gateway Initiative is obviously critical to realizing our potential as a country."

4. Canada's New Government Announces Projects in Saskatoon for the Asia-Pacific Gateway and Corridor Initiative

Federal Government and other officials announced \$20 million in federal funding for strategic infrastructure projects in Saskatoon under the APGCI on May 24, 2007. The funding will involve two projects in the City of Saskatoon. The projects will be at Lorne Avenue and Circle Drive and at Idylwyld Freeway and Circle Drive.

5. Canada's New Government Announces Projects in Winnipeg for the Asia-Pacific Gateway and Corridor Initiative

Federal Government announced 33.25 million in federal funding for strategic infrastructure projects in Winnipeg under the APGCI on May 24, 2007. Funding will go towards upgrades to Inkster Boulevard between the Winnipeg Perimeter Highway and Oakpoint Highway.

6. Canada's New Government Announces Projects in Edmonton for the Asia-Pacific Gateway and Corridor

Other Transportation

1. Canada, United States and Mexico sign Trilateral Declaration, April 27, 2007, www.tc.gc.ca
2. Review of methodologies in transport inquiries, May 27, 2007, www.competition-commission.org.uk
3. \$1 Billion Commitment to the Gateway and Corridor, May 4, 2007, www.tc.gc.ca
4. Canada's New Government Announces Projects in Saskatoon for the Asia-Pacific Gateway and Corridor Initiative, May 24, 2007, www.tc.gc.ca
5. Canada's New Government Announces Projects in Winnipeg for the Asia-Pacific Gateway and Corridor Initiative, May 24, 2007, www.tc.gc.ca
6. Canada's New Government Announces Projects in Edmonton for the Asia-Pacific Gateway and Corridor Initiative, May 24, 2007, www.tc.gc.ca
7. Government of Canada and Province of Newfoundland and Labrador Partner to Support Construction of \$10 Million Torbay Bypass, May 24, 2007, www.infrastructure.gc.ca

Initiative

Federal Government announced 75 million in federal funding for strategic infrastructure projects in Edmonton under the APGCI on May 24, 2007. The funding will pay for new interchange at Highway 2 and 41 Avenue and road-rail upgrades to enable the relocation of the CPR intermodal facility.

7. Government of Canada and Province of Newfoundland and Labrador Partner to Support Construction of \$10 Million Torbay Bypass

Federal and provincial Government officials announced on May 24, 2007, a commitment to improve transportation for the northeast Avalon region through the construction of the Torbay Bypass. The federal government is committing up to \$5 million, and the Province of Newfoundland and Labrador is committing the remainder of funds to the \$10 million project.

Conferences

1. 42nd CTRF Conference, North American Networks: Gaps and Opportunities, June 3-6, 2007, York the Hotel, Winnipeg, Manitoba.
2. 11th International Conference on Mobility and Transport for Elderly and Disabled Persons (Transted), June 18-21, 2007 Palais des congrès de Montréal Convention Centre, Montreal.

Publications

1. Observatory of the Air Transport Market - Air Transport Vademecum (quarterly reports), www.europa.eu
2. EU competition policy and the consumer [Guide] May 8, 2007, www.europa.eu
3. Capacity Needs in the National Airspace System, FAA, May 15, 2007, www.dot.gov