



THE EXCHANGE RATE REFERS to the value of the Canadian dollar (C\$ or CAD) against the currencies of other countries. Among other things, because most foreign customers – including those in the United States – pay Canadian firms in their domestic currency, for example in US dollars (US\$ or USD), the exchange rate helps determine how much we receive in C\$ for what we export in goods and services.

The exchange rate plays a particularly important role in our economy because, compared with other countries, imports and exports are a relatively large part of Canada's economy. Most of our trade is with the United States (~84% of our exports go to the US, and 72% of our imports come from south of the 49<sup>th</sup> parallel), which is why the value of our dollar against the U.S. dollar is especially important.

When the value of the Canadian dollar rises, or the value of the US dollars falls relative to the Loonie (that's what we call our dollar because of the duck on its back face), we receive less Canadian dollars for every US dollar we earn as revenue. Tucked up beside their giant neighbour to the south, for centuries Canadian companies have dealt in US dollars and as a rule, have willingly absorbed minor fluctuations in the CAD-USD exchange rate as a cost of doing business.

But the recent and brisk fall of the US dollar relative to other world currencies – including the Loonie – has hammered the bottom-line of Canadian companies, such as ourselves. In the past year, the value of the US dollar had declined by 16%! In the last five years, the US dollars has fallen a full 40%(!) relative to the Loonie. On October 31<sup>st</sup>, 2007 the Canadian dollar hit a 130-year high at 0.9419 CAD/USD. The last time the Canadian dollar bought US\$1.06, President Rutherford B. Hayes lived in the White House and Canada had only been a country for 10 years.

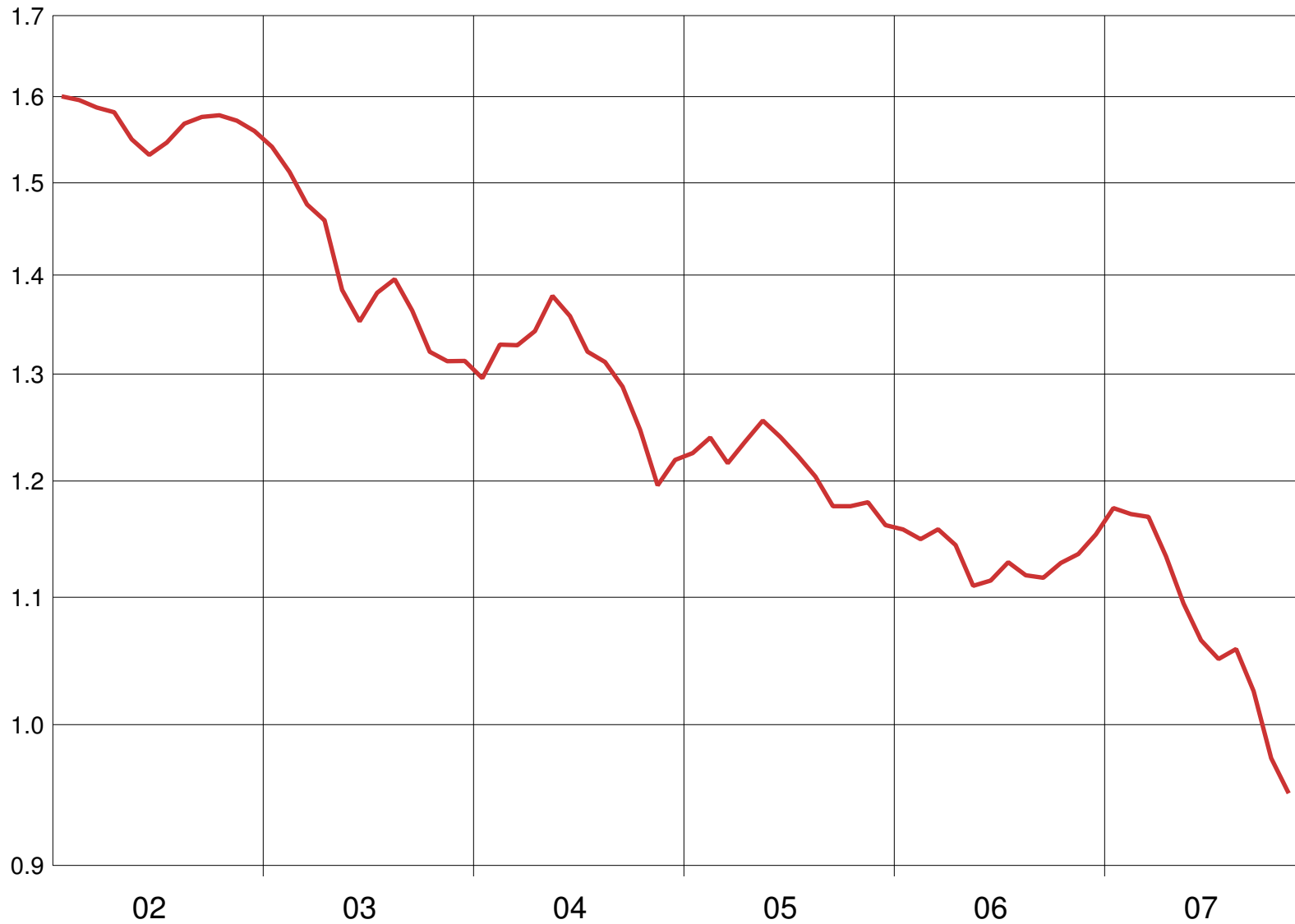
But despite the quaint history, the massive readjustment in the value of the USD is a real problem for Canadian transportation companies today. Though we receive much of our revenue in US dollars, we still must pay our costs fully in Canadian dollars. All of our costs – wages, benefits, trucks, insurance – are paid in our local currency. Added to recent spikes in both the cost of fuel and insurance – most motorists have personal experience here – the precipitous depreciation of the US dollar had squeezed the already thin margins for which the trucking industry is notorious.



The media is even onto the problem. Reuters news service reported in their piece, "Muscular Canadian Dollar Pummels Profits," that the Loonie's "supercharged surge...has left some of Canada's biggest exporters dazed and confused as they face a gloomy profit picture." The Economist has called the Loonie "a high flying bird" that has already cost the Canadian economy countless manufacturing jobs as Canadian companies lose US markets.

While Canadian businesses are determined to weather this unforeseen and largely uncharted economic storm, if the US dollar remains in the doldrums or sinks even more, Canadian exporters of goods and services including trucking companies and freight forwarders, will be forced to continue paddling their canoe upstream with an ever smaller oar.

## Monthly Avg. Exchange Rates: Canadian Dollars per U.S. Dollar



Time Period: Jan/2002 - Nov/2007

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