



CANADIAN TRUCKING ALLIANCE

## **Canada's Economy Moves by Truck: Industry Priorities**



### **Canadian Trucking Alliance**

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## LEVEL THE PLAYING FIELD & STANDING UP FOR SMALL BUSINESSES

See Driver Inc. issue on **page 04**.



## ENVIRONMENT

CTA is supportive of reducing carbon in a smart and productive manner. See CTA's environmental plan on **page 05**.

## LABOUR

Canada's economy moves by truck. To keep things rolling, we need support when it comes to attracting talent to our industry. See access to immigration channels and supporting effective training on **page 06**.



## TRUCK SAFETY

We all know how important road and truck safety is to Canadians. See CTA's 10-Point Action Plan for truck safety on **page 07**.

## CTA POLICY PRIORITIES:

Below represents a summary of some of the top issues and priority areas for the Canadian trucking industry. In general, they can be grouped into four main issue areas (1) level playing field and small business issues (2) environment and carbon pricing (3) issues relating to skills and labour shortages (4) measures aimed at improving truck and road safety in Canada.



This document has been prepared to provide background information and recommendations. Should you wish to discuss any of the issues or recommendations raised in this discussion paper, CTA stands ready to discuss.

**Contact:** CTA Public Affairs at [publicaffairs@cantruck.ca](mailto:publicaffairs@cantruck.ca) or [jonathan.blackham@cantruck.ca](mailto:jonathan.blackham@cantruck.ca) for more information.

## OTHER RESOURCES:

**Infrastructure:** Every year CTA produces a document outlining infrastructure priorities in each province across Canada. While this list does not include all the infrastructure needs in each province, it does represent a short list of projects that would have a significant impact on provincial, regional, or national trade. In each case, funding for road-based infrastructure would significantly improve the trucking industry's ability to carry the nation's domestic and international trade. Contact the above for a copy of CTA's 2019-2020 Infrastructure Priorities.



## **Background Information: Trucking 101**

**Canadian Trucking Alliance (CTA):** The CTA is a federation of the nation's provincial trucking associations. With over 4,500 member carriers, the Alliance represents a broad cross-section of the industry, including all carrier sizes, regions, commodity-based service and specialty. The bulk of CTA's membership consists of small and medium-sized businesses. However, CTA also represents some of the largest transportation enterprises in North America. CTA's operations are guided by its Board of Directors, made up principally of chief executive officers, presidents and senior executives of trucking companies from across the country. The Alliance is the national representative of the trucking industry and its views on policy, regulatory and legislative issues. CTA also conducts extensive public relations activities on behalf of the industry.

**Canada's Economy Moves by Truck:** We generally think of demand for trucking services to be derived from the demand for goods and services from their customers' industries. For example, consumer demand for retail goods subsequently triggers the retail trade industry's demand for trucking services. While this is true, there are other economic feedback mechanisms also at work. Lower cost and more efficient trucking services is also a catalyst for growth in other industries, while higher cost and less efficient trucking services can stifle growth. Using retail trade as an example, lower trucking costs will help to lower the price of retail goods that consumers buy, thereby stimulating consumer demand for those goods. It is important to understand the trucking industry, and the companies that make up the trucking industry, are not the only stakeholders that have an interest in maintaining the sustainability of trucking and the long-haul trucking model in particular. The industry's customers (shippers) and their customers' customers (the general public), will also be directly affected, negatively or positively, by the trucking industry's ability to move business inputs and final goods to market. As the Conference Board of Canada has cautioned, "we generally take the benefits of freight transportation for granted, in part because the system typically works well – at least in terms of making a variety of products available to consumers in a timely fashion. However, disruptions in freight transportation systems can have a rapid impact, reminding consumers of the value of these services." As Canada's dominant freight transportation mode, trucking carries approximately 2/3 by value of Canada – US trade and contributes more to national GDP than air, rail, and marine combined. Without a doubt, a healthy trucking industry is one of the fundamental pillars for which a healthy economy is built.

**Nanos on the Numbers:** Recently, the Canadian Trucking Alliance (CTA) partnered with Nanos Research to gather intelligence on the industry as one of the key pillars of our nation's economy. As part of this exercise, 32 senior executives from CTA member companies from across Canada participated in elite interviews to share their views on the industry and the trends that they are seeing in their business. Together, this group of carriers in 2018 moved over 8 million loads, operated over 12,000 trucks, and employed over 30,000 Canadians.

Participants generally had a positive outlook and are optimistic this trend will continue in the short to medium term. The numbers showed the majority



of participants felt the outlook for the business environment is currently positive (31%) or somewhat positive (62.5%) and was accompanied by the thought that capacity may drive up rates offsetting any potential slowdowns in the near term. However, this generally positive outlook was also marked by some apprehension, particularly when it comes to the industry's ability to attract enough labour to meet demand, government regulations, and competitive issues creating imbalance in the marketplace (level playing field issues).

In these, labour shortages were noted as the prime concern by top executives, whether prompted or unprompted during the elite interview sessions. Most frequently, participants named the labour shortage in general, and the driver shortage in particular, as their top concern. The driver shortage was also strongly associated with unseated trucks and a lack of capacity in the industry. With a broad view, some see issues down the road, with some execs noting that without some kind of change to help increase the capacity, there may be issues for the country and our economy.

There was also a strong belief held by these top executives that governments (at all levels) should focus on uniformity and enforcement of current regulations. To complement this, many said the government should continue focusing on mandatory entry level training, electronic logging devices (ELDs), Driver Inc. and level playing field issues along with increasing access to immigration channels for the industry.

## KEY ISSUES:

**LEVEL PLAYING FIELD AND SMALL BUSINESS:** *Level Playing field issues can come in different forms, but at their core speak to a critical imbalance affecting the market place. This can be related to competitors getting an unjust leg up on compliant companies or forgetting about small business when legislating. In each case below, we ask that you consider these issues from the point of view of a small business or a compliant Canadian business just trying to compete.*



**Driver Inc.:** A new and troubling business practice has emerged in the trucking industry, and as a result the government is leaking tax revenue by the truckload. Known as 'Driver Inc', a number of drivers and carriers are now entering into agreements whereby drivers will incorporate themselves and will then sell their driving services to the carrier. It is important to note that these are not traditional independent contractors (known as 'owner-operators' in trucking). What distinguishes these individuals from owner-operators is that these drivers do not own, lease or operate a vehicle. They drive the carrier's vehicles and are virtually indistinguishable from an 'employee'. CTA first raised this issue in late 2017 and since then have been working with the Canada Revenue Agency (CRA) and Employment and Social Development Canada (ESDC) to help educate authorities on the impact and spread of Driver Inc. This issue has only intensified since that time. Many of the companies and drivers involved in this scheme are knowingly avoiding many of their tax responsibilities, including paying the appropriate source deductions (CPP, EI, etc.) among other taxes. From the driver's perspective, many are knowingly and unknowingly taking advantage of small business tax advantages not otherwise available to them. The Government needs to better protect legitimate small businesses, whose reputation and livelihood is being threatened by those who engage in the Driver Inc. model. CTA calls on the federal Government to better enforce the positions already taken by both CRA and ESDC on the use of the Driver Inc. model. For more information click [here](#).

**Don't Leave Small Business Behind:** When developing laws and new regulations, the federal government needs to remain mindful of the capacity of small business to understand and effectively implement these changes. This is not to say that small business does not want to adapt, but rather, the resources available to small businesses to implement change is much less than that of larger organizations. The trucking industry is dominated by small and medium sized businesses, which are often family owned. In this, there are tens of thousands of trucking companies in Canada with 100 employees or less. When the government enacts new laws or regulations, more attention needs to be paid to ensuring that small businesses have the guidance and support they need. Too often we find small businesses are either unaware of new regulations or are incapable of implementing changes in a timely and cost-effective manner. This is particularly evident in the federally regulated employment sector, which tends to be dominated by mega-sized businesses in telecommunications, the banking sector, and other modes such as air travel. In each of these cases, the resources available to these businesses vastly outnumber those available to small businesses in sectors such as trucking. This is also true for other complex initiatives such as the implementation of the federal carbon tax. There are very few trucking companies with true 'legal' or 'regulatory affairs' departments, which means they are forever playing catch-up to larger entities who have fully staffed departments dedicated to these areas. It is more important than ever that the next federal government be aware of the tremendous pressure businesses are under and to ensure small businesses are not left behind.

**ENVIRONMENT:** CTA is supportive of the reduction of carbon emissions from the trucking industry. The trucking industry is the only freight mode in Canada to use both first and second-generation Environment Canada regulated equipment. These regulations have cost the Canadian trucking industry billions in additional capital investment. Environment Canada estimates a reduction in carbon emissions between 2018 and 2030 of 3 Megatons (Mt) from heavy trucks at a cost of \$4.1 billion to the trucking industry. If you include the investment cost and emissions savings of the Phase I, (2014) Environment Canada regulation for heavy trucks, the trucking industry has reduced its carbon footprint by 6 Mt at a cost of \$8.3 billion.



**The Trucking Industry is Committed to Carbon Reduction:** CTA has supported Environment Canada's heavy truck regulations which have added billions in direct costs for the industry. The logic to adding a carbon charge on top of this is questionable. Carbon pricing has always been touted to spur changes in behaviour. In the long-haul trucking industry, there are limited options for change. Currently, there are very few wholly-viable and widely available alternatives to the diesel engine. This fact is recognized in the Environment Canada regulations governing carbon emissions from trucking equipment. Consequently, the Canadian trucking industry finds it difficult to understand the policy intent behind adding carbon pricing to our diesel fuel as there is no true 'alternative' and the equipment on the market is already strictly regulated by Environment Canada from a carbon standpoint. Nonetheless, if a carbon tax is to be in place, CTA supports a policy that redistributes the revenue back to industry. In this, revenues should be used to support programs that incentivize the purchasing of newer and greener trucking equipment along with supporting the retrofitting existing equipment wherever viable. CTA also maintains that should the carbon price mechanism be maintained despite having no policy benefit on our sector, that the price per tonne should be capped at the 2019 level of \$20 per tonne. Contact CTA for a copy of our environmental plan.

**LABOUR:** *There are a number of factors underpinning the driver shortage. However, chief among them is that the industry is facing a demographic crisis. Not only does the industry have one of the oldest and most rapidly aging workforces, it also simultaneously struggles to attract new drivers to the industry producing a demographic model that is unsustainable. Today, the average age of a truck driver is 46 years old (projected to reach 49 years old by 2024) compared to 41 for the total labour force. At the same time, the industry has very few young people choosing to enter the occupation despite the fact it pays higher than average wages. Today, only 8.8% of the driver pool is under 30 years old, and that proportion continues to decline. While this is a challenge for trucking companies now, it will soon be a problem for the wider economy as shippers continue to struggle to secure truck transportation services.*



**Access to Immigration Channels:** Unlike other industries, such as manufacturing, truck driving is an occupation that cannot be offshored or shipped overseas. In turn, domestic demand for trucking remains strong, with the industry's share of the total transportation sector only expected to grow. While the industry is taking steps on a number of fronts to help address its labour shortages – from increasing wages to better marketing the opportunities available in the industry – it will likely not be able to meet its labour needs over the coming years without increased access to labour through immigration. CTA would like to see the Government of Canada increase the industry's access to immigration programs and to work with CTA to ensure the industry is supported in attempting to meet its labour needs.

**Recognized Employer Status for the TFWP:** In early 2018, CTA supported Trucking HR Canada (THRC) in hosting roundtable sessions across the country as part of their sector review of the Temporary Foreign Worker Program (TFWP). The overall goal of the process was to gather together relevant stakeholders – including employers, government officials, third-party consultants and other key individuals – from the trucking and logistics industry to discuss labour-market challenges within the sector. In particular, discussions regarding current recruitment and retention challenges directly fed into a larger conversation regarding the TFWP and ways in which the Program (inclusive of policy and service standards) could be amended/enhanced to improve the employer application experience and outcomes. In all, the review provided an analysis of key program areas including processing times, consistency of service, processing fees, work permit renewal times and application requirements. In addition, the review also provided a number of recommendations for program improvement. One of the chief recommendations was the need for a 'trusted employer' vetting process to expedite and streamline the Labour Market Impact Assessment (LMIA) process. CTA stands ready to help the Government of Canada administer a recognized employer program for the trucking industry and is willing to dedicate resources to such an initiative.

**Provide Trucking and Logistics Employers Greater Access to Programs that Support Better Quality and Effective Training:** While existing programs are being used in our industry, such as the Canada Job Grant, and the Apprenticeship Program in Ontario – more needs to be done to support employers. Mandatory-entry level training which will be in place in all provinces by 2020 will come with increased training costs. While this is needed to boost training quality, financial assistance from the government could help to manage this transition and support employers and new entrants. CTA

is proposing that the next federal government undertake a pilot program to help assist new entrants in our industry. This could support enhanced training as it is envisioned that only select schools and employers with proven track records could participate. The end goal is to support and encourage more Canadians to consider truck driver as a career option and to better facilitate their entry into our sector. CTA requests that a conversation take place with the industry on how the government can support industry in raising the training bar in our sector.

**Labour Code Exemptions:** CTA supports modern labour standards; however, the Alliance has always held the position that any new standards that come into place must make sense for the industry and the customers we serve. Recently, a few provisions were introduced into the Labour Code without consultation which posed a serious threat to our industry (and other transportation modes). These are primarily related to how scheduling in our industry works. Since that time, IPGs have been drafted to provide the trucking industry (and other transportation modes) some relief when it comes to these new provisions. This relief provided in these IPGs by ESDC now needs to be put into regulation. Only then can our industry be assured that they can continue to operate as they did before September 1, 2019. Having these exemptions made official will also help to assure all those in the economy that rely on trucking, that their supply chains are secure. This should be an early priority for any new government.

***TRUCK SAFETY:*** *CTA and its provincial trucking association partners stand by our commitment to work with all levels of government to enhance truck safety on our nation's roadways. And while the vast majority of carriers in the Canadian trucking industry are already committed to operating at the highest safety standards, there is also a small – but growing – number of carriers that do not share this priority. These carriers do not make the same level of investments in their operations, their equipment, their training policies and corrective oversight mechanisms. Let's take action and work together to improve road and truck safety.*



**CTA's 10 Point Action Plan on Truck Safety:** Most trucking companies and truck drivers embrace a culture of safety by going well beyond minimum safety standards. However, events over the past few years have shown what can happen when carriers and drivers do not embrace a 'safety first' culture in their operations. This reminds us we can continue to raise the bar and should continue identifying and addressing companies that do not take their responsibilities seriously. CTA encourages the Government of Canada to ensure that Transport Canada continues to show leadership when it comes to truck safety by addressing oversight and compliance shortcomings in the industry for both new and existing carriers. CTA has a 10 point action plan to help and you can view more about this plan [here](#).