



**Canadian Trucking
Alliance CTA**



2019 Pre-Budget Consultations

August 2018



**Canadian Trucking Alliance
Alliance Canadienne du Camionnage**

Recommendations:

Recommendation 1

The government stop widespread tax evasion in the trucking industry by addressing a new employment model known as 'Driver Inc'. CTA requests the CRA be given the necessary funding to support industry in combating the spread of the Driver Inc model.

Recommendation 2

The government support key infrastructure projects to help facilitate Canadian trade. Urgent projects are listed in this document and a more comprehensive list can be found through the provided link.

Recommendation 3

The government restore federal excise tax rebates on certain GHG-reducing technologies in the trucking industry which were eliminated in Budget 2016.

Recommendation 4

CTA has provided a link to our 10-point action plan for truck safety and asks Transport Canada for its support in this endeavour. One of the most important safety initiatives is the mandating of electronic logging devices (ELDs) which Transport Canada is in the process of doing. CTA asks this initiative be made a priority and that it is enforced on Canada's roadways no later than January 1, 2020.

Recommendation 5

The government expedite proposed modifications to the Temporary Foreign Workers Program to assist the industry in dealing with the truck driver shortage, which is reaching a crisis point.

Canadian Trucking Alliance

The Canadian Trucking Alliance (CTA) is a federation of provincial trucking associations. With over 4,500 member carriers, CTA represents a broad cross-section of the industry – all sizes, regions, commodity-based services and specialties. Our members employ approximately 150,000 Canadians and are responsible for servicing about 70% of the country's road freight needs.



Tax Fairness: Truckers Offer Governments \$1 Billion

“ If the Driver Inc. issue is not addressed now, CTA believes within two years this will be the predominate practice in our industry. Even carriers who oppose the Drive Inc. model now will soon be forced to use this practice to be able to compete. ”

Known as 'Driver Inc', a number of drivers and carriers are entering into agreements whereby drivers incorporate themselves and then 'sell' their driving services to the carrier. It's important to note these drivers

are not traditional owner-operators as they do not own, lease or operate a vehicle. These Driver Inc operators drive the carrier's vehicles and are virtually indistinguishable from an 'employee'.

We know many of the companies and drivers involved in this scheme are knowingly avoiding their tax responsibilities, including paying the appropriate source deductions (CPP, EI, etc.). From the driver's perspective, many are trying to unjustly benefit from small business tax advantages. We also know many carriers who are employing the Driver Inc model are avoiding paying their workers' compensation premiums and skirting their responsibilities under the Canada Labour Code. Considering trucking is the second largest federally-regulated employment sector, only after the federal government itself, there is no doubt the government should be concerned with the potential enormity of this

issue. If just 25% of the total driver population were to participate in the Driver Inc model, we estimate this would represent at least \$1.12 billion in tax and other revenue leakages.



While it's difficult to pinpoint the exact percentage of drivers misclassified in this way, the potential tax leakage and the distorting effect on the industry, even a small rate of Driver Inc drivers could impose, needs to be taken seriously. If this practice is to continue unchecked, CTA expects the entire industry will rapidly move to this model given the competitive savings. CTA, therefore, requests CRA be given the necessary funding to support industry in combating tax evasion.

Infrastructure

“ Our economy is multi-faceted, ranging from farming and natural resource based to manufacturing and knowledge-based businesses – all of which depend on the movement of freight in some way. ”

Canada’s economic prosperity depends on the ability of its industries to compete for market share in the North American supply chain. As the preferred mode for getting finished goods and business inputs to market efficiently and reliably, trucking

plays a vital economic role. Well maintained bridges, highways and interchanges, border crossings, and adequate access to major freight centres are of the utmost importance to the industry. It is critical the government recognizes the essential role trucking plays as it sets infrastructure spending priorities.

A complete list of infrastructure projects can be found [here](#). With that said, there are several key projects that CTA believes require the federal government’s urgent attention. (1) Route 185 Quebec/ Atlantic Canada (2) Truck Parking Along the Trans Canada Highway (3) Highway 40 and Wapiti Bridge Alberta (4) Gordie Howe Bridge Completion.

Route 185 from Saint-Antonin to Saint-Louis-du-Ha! Ha!/ Highway 85/Road 185 between Rivière-du-Loup (in Québec) and Edmunston (in New-Brunswick)

These stretches of roadway are in urgent need of upgrading. If completed, this would connect all of Eastern Canada with four lane highways from Halifax to Toronto. Upgrading Hwy 185, often cited as one of the most dangerous highways in Canada, should markedly improve safety. From a trade perspective, it would also allow the trucking industry to run long-combination vehicles (LCVs) from Halifax to Toronto, making the delivery of goods much more efficient while reducing emissions.

Truck Parking

“ Now more than ever we need a federal strategy for truck parking across Canada. ”

As Canada and the U.S. move towards the implementation of mandatory electronic logging devices (ELDs) – which track driver’s hours



of service and replace the paper logbook regime – the availability of adequate truck parking is more critical than ever. In turn, safe parking for commercial vehicles supports a healthier and more efficient national supply chain. The federal government needs to explore with the provinces potential solutions and develop a strategy for truck parking on Canada’s National Highway System.

Highway 40 Twinning and Wapiti Bridge Twinning in the Grande Prairie Area

This project is critical for the safety of operators who transport softwood lumber and oil and gas in the area. The collision rate for this stretch is 206 collisions per hundred million vehicle kilometers traveled, compared to the provincial average of 83 for undivided highways. The current highway volume at the Wapiti Bridge is 9,060 vehicles on average per day, with commercial traffic making up 50.6% of that total. Projected oil and gas investment and tree harvest plans will only increase traffic on this already overstressed corridor. Our forestry partners in the area have plans for 50,000 loads (100,000 if you include the unloaded travel) along this route alone. Out of all of the challenges facing the Grande Prairie area, investment in this project demands the most priority.

Gordie Howe Bridge

The addition of the Gordie Howe Bridge will have a significant impact on the trucking industry and Canada-US trade. The federal government has shown great leadership on this project. CTA implores the government to continue its support and to ensure this project is completed as soon as possible.

Investments in our Borders

The electronic systems Canada Border Services Agency (CBSA) uses to process trade information requires upgrades to meet the demands of today's cross-border trade. The issue can be resolved by investing capital in the CBSA IT systems and adding staff. We realize funding required to upgrade these outdated systems is significant, but such an investment is dwarfed by the immediate and long-term damage the economy would suffer if these investments are not made. Ongoing staffing shortages appear to be getting worse, thickening the border and impeding the facilitation of cross-border commerce. As a result, the Canadian cross-border business community is forced to brace for unprecedented disruptions and weakening of the Canadian supply chain.

Excise Tax Rebate

“ By improving fuel economy, the industry shields itself from increasing fuel costs while lowering GHG emissions for societal benefits. ”

In the 2016 federal budget, the government removed trucking companies' ability to apply for federal excise tax refunds on diesel fuel used for anti-idling devices such as auxiliary power units (APUs) that heat/cool truck cabs, refrigerated units and fuel used in other GHG reducing technology. Not only do these technologies greatly assist our industry in meeting mandated emission reduction targets, but they are also vital to the operation of our businesses and the customers we serve, particularly in the agriculture, food and pharmaceutical sectors. This change is also inconsistent with the government's historic policy of not taxing home heating fuel. CTA is seeking a reversal of this policy to support the trucking industry as it prepares for Phase II GHG regulations.



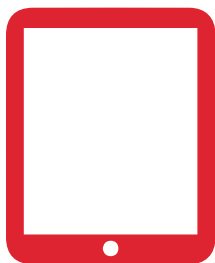
Relatedly, CTA requested government explain how the trucking industry is to manage and administer its responsibilities under the carbon pricing regime in any so-called ‘backstop jurisdiction’. We have not yet received a response. The trucking industry remains firmly committed to reducing its carbon footprint, but the federal government needs to help carriers understand how they’re supposed to reach these goals while also removing barriers that discourage carriers from investing in greener-technology.

Accelerated CCA Rates

The Capital Cost Allowance (CCA) claim for a class of depreciable property is based on a prescribed rate that is generally based on the useful life of the property. Class 43.1 and 43.2 of the Income Tax Act provide a higher CCA rate than would otherwise be available as an incentive to encourage businesses to invest in specified clean, energy efficient equipment. CTA recommends the government provide an accelerated CCA rate for carbon-reducing trucking equipment as identified by Environment and Climate Change Canada’s Phase I and II heavy truck regulations. Should Class 43.1 not be seen as a viable option, CTA would encourage the federal government to explore other options within the tax code. Beyond environmental reasons for this tax change, the Canadian trucking industry is falling further behind our US competition. US CCA rates are far more advantageous allowing US carriers to write down trucks in half the time. This tax advantage for US trucking companies over their Canadian counterparts has been further widened by the recent corporate tax reductions introduced by President Trump which eliminates the historic Canadian advantage in this area. Canada must address this growing tax inequity between Canadian and US fleets.

Truck Safety - CTA Ten-Point Action Plan and ELDs

“ *The ELD mandate is one of the most significant measures the government can adopt to improve road safety.* ” Most trucking companies and truck drivers far exceed minimal safety requirements. However, recent events remind all of us we can raise the bar in



dealing with those operators who do not to make the proper investments and commitment towards highway safety. CTA and the provincial trucking associations will increase efforts with Transport Canada and provincial governments on implementing CTA’s 10-point action plan, [available here](#), including the implementation of mandatory Electronic Logging Devices (ELDs) to track truck drivers’ hours of service. CTA strongly believes this regulation needs to be finalized in 2018 and enforced no later than January 1, 2020. However, CTA grows fearful we may not see an ELD regulation until 2021 or later. Unacceptable delays only serve to heighten the gap between Canada and the US (which mandated ELDS in December 2017) while allowing those that circumvent hours of service rules to continue doing so.

Expedite Modifications to Temporary Foreign Workers Program (TFWP)

Following a sector review report conducted by Trucking HR Canada, in partnership with the Temporary Foreign Workers Program, CTA proposes key changes to the TFWP for the trucking sector.

Establish a trusted-employer/fast-track process for employers that meet top industry criteria. For this, we recognize the need for employer vetting during the initial application to ensure that legitimate companies are using the TFWP as it is intended. However, the initial vetting could then form an employer profile that serves as proof of trusted employer status, fast-tracking subsequent LMIA applications and requests for work permit renewals. We believe this will speed up the processing times and support those employers who have good intentions in accessing the program.

With the shortage of truck drivers reaching a crisis point, it is essential the TFWP is operating as efficiently as possible as it will be increasingly utilized by industry in the coming years.

