



## **Canadian Trucking Alliance CTA**



### **House of Commons' Standing Committee on Industry, Science & Technology: The Impact of Canada's Regulatory Structure on Small Business**

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**Canadian Trucking Alliance**  
**Alliance Canadienne du Camionnage**

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### **The Canadian Trucking Association (CTA)**

- By way of background, the Canadian Trucking Alliance (CTA) is a federation of provincial trucking associations, with a membership of over 4,500 carriers companies.
- Our carriers employ approximately 150,000 Canadians and are responsible for servicing about 70% of the country's road freight needs.
- While CTA's membership includes some of the largest trucking enterprises in North America, the bulk of the Alliance's membership consists of small and medium-sized businesses.
- 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 Canada.

### **Canada's Trucking Industry**

- Trucking is a \$67 billion industry in Canada that touches the lives of every Canadian, every single day. The phone in your hand, the shirt on your back, and the food you ate for breakfast was on a truck at some point in its delivery to you.
- This intricate journey requires the vast skills and contributions of over 500,000 Canadian employees in a variety of occupations.
- A key economic force on its own, the industry also supports the success of numerous other economic sectors including agriculture, construction, forestry, advanced manufacturing, mining and oil and gas extraction, and more.

### **Don't Leave Small Business Behind**

- When developing laws and new regulations, governments need 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 business to implement change is much less than that of larger organizations.
- The trucking industry is dominated by small and medium sized which are often family owned. In this, there are tens of thousands of trucking companies in Canada with 25 employees or less.
- When the government enacts new laws or regulations, more attention needs to be paid to ensuring that small business has the guidance and support it needs. Too often we find small business is either unaware of new regulations or is 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.
- At the current pace of legislation, it is more important than ever to not leave small business behind.

### Lookback: What has Already Been Recently Announced to Assist Small Business in the Trucking Industry


- Under the newly created Accelerated Investment Initiative (AII), trucking capital investments will generally be eligible for a first-year deduction for depreciation equal to up to three times the amount that would otherwise apply in the year an asset is put in use. The typical asset deduction for the first year for trucks is 20 per cent, which will now increase to 60 per cent under this proposed measure.
- Tripling the current first-year rate will provide trucking companies in Canada a true incentive to make capital investments in newer equipment, which will in turn make the supply chain more productive and reduce its carbon footprint. This measure will create greater re-investing opportunities for small and large operators alike.
- When a fleet purchases five trucks for a total of \$1 million, under the current deduction system only \$200,000 could be written off in the first year compared to \$600,000 under the AII system.
- \$167 million for port and rail infrastructure in Vancouver to increase efficiency and capacity for trade. This investment will improve the efficiency of trucking fleets who have partnered with the rail and marine sector.
- \$53.3 million to upgrade Highways 6 and 39 between Regina and Estevan, near the United States border. Such an investment is critical to improving the efficiency of the many large and small fleets who carry our north-south trade at this port.
- The announcement of the construction of the Gordie Howe Bridge between Windsor and Detroit will carry over 2.6 million trucks a year crossing between Windsor and Detroit, carrying \$1.6 million in trade per minute, paving the way for a brighter trading future for Canada and its largest trading partner.
- At the meeting of the Council of Ministers Responsible for Transportation and Highway

Safety, the Heavy Truck Weight and Dimension Limits for Interprovincial Operations in Canada were amended to allow the use of wide based single tires at the same weight limits as dual tires. This eliminates complexities for the trucking industry and introduces increased fuel efficiency opportunities.

- The creation of the Rural and Northern Immigration Pilot, a five-year federal immigration pilot involving a small number of communities and selected provincial and territorial governments to provide newcomers, including professional truck drivers, support in settling into the local community. With the trucking industry's significant driver shortage, and lack of level playing field access to immigration as a source of labour, this program is welcomed by large and small carriers
- The announcement by the Council of Ministers of mandatory entry-level training (MELT) to be introduced by January 2020.

### Areas for Improved Efficiency to Reduce Costs to Regulated Parties

- Introduction of electronic logging devices to replace paper log books as soon as possible. Based on cost benefits performed in the United States the estimated benefit to Canadian governments and business from switching from paper log books to electronic logging devices is 80 million dollars. This efficiency gain is related to reduction of paper work time/effort leading to more logistical efficiencies for drivers/ small businesses --- an increase in \$2000 in revenue per driver in Canada. Obvious safety benefits are also associated with the introduction of this regulation. The issue of paper log book compliance is the central compliance issue involved in the Humboldt tragedy.
- The four-lane configuration of the 185 will significantly benefit trade between the eastern provinces by facilitating the introduction of long-combination vehicles (LCVs) – the most efficient and productive truck configuration – into this trade corridor. Currently in eastern Canada, LCVs can only operate on four-lane divided primary highways. By how much could trade benefit by the introduction of LCVs on Highway 185? Based on independent research each 0.5% reduction in the delivered cost of a traded good traveling through and to and from the Maritimes increases national GDP by \$350 million, with two thirds of that equally split between New Brunswick and Nova Scotia. Ontario and Quebec would have a roughly equal share of another \$100 million in annual GDP gain. Based on this formula the impact of twinning Highway 185 would reduce the cost of a traded good by 1.5% to 2.5%, representing annual GDP gains of \$1 billion to \$1.78 Billion for Canada; \$350 million to \$600 million for each of New Brunswick and Nova Scotia and \$100 million to \$160 million for Quebec. Fleets of all sizes can gain efficiencies by this investment.

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- Canada is set to price carbon, on all diesel fuel beginning on April 1, 2109. The trucking industry is currently the only freight mode in Canada required by regulation to purchase certain carbon-reduction technologies. An intensification of these purchases is expected to occur between the 2018-2027 period as new rounds of environmental emission regulations unfold. By redirecting future carbon tax revenue into a green incentive program toward the purchase of green commercial vehicle technology, CTA believes fleets can introduce environmental, carbon-cutting equipment fleets faster than the projected regulatory timetable. Furthermore to ensure there is no unnecessary administrative burden and competitive unbalance, CTA continues to wish to work with CRA to ensure the federal carbon registry for trucking fleets is operating effectively and efficiently.


### Areas for Improved International Cooperation, Alignment and Trade

- Introduction of electronic logging devices to replace paper log books as soon as possible. In the Untitled States they have had an electronic logging device regulation in place since December 2017 with the full implementation of the regulation set to come into force in December 2019. With minor modifications, like with most regulations, Canada most harmonize this rule with the United States as quickly as possible.
- In October 2017 a three-judge panel granted the request of the Truck Trailer Manufacturers' Association (TTMA) to temporarily stay the trailer provisions of the Environmental Protection Agency's (EPA) and National Highway Traffic Safety Administration's (NHTSA) greenhouse gas/fuel economy standards (GHG) for trailers that were slated to go into effect in January of 2018. In August 2018 TTMA made public statements that EPA and NHTSA had still not communicated how they planned to proceed with the GHG trailer rules. In January 2019 these agencies continue to be silent, casting doubt among industry about the re-emergence in the short-term of the original plan GHG and trailers.
- In Canada, Environment and Climate Change Canada's (ECCC) regulations for reducing green-house gas emissions from trailers (based on the original EPA/NHSTA rule) are scheduled to come into effect on January 1, 2020. The Canadian Trucking Alliance (CTA) was supportive of this rule when it was first introduced; however, this support was based on the ECCC regulatory impact statement that included the harmonization of the GHG trailer rulesets between the United States and Canada. As indicated above, this harmonized approach between Canada and the United States no longer exists, with an unknown delay in place in the U.S.
- In 2018 CTA was engaged with ECCC concerning the path forward for a GHG trailer rule. Recently, CTA and the Canadian Equipment Manufacturers Association (CEMA) wrote a joint letter in response to questions pertaining to the Government of Canada proceeding with a greenhouse trailer rule in absence of a US rule.


- Based on feedback CTA has received from trailer manufacturers and dealers in Canada in developing this CTA-CEMA joint letter, the potential for market disruption for trailer purchases could be significant in a go-it-alone Canadian regulatory scenario.
- In summary, CTA is supportive of evidence-based policy making. CTA is also supportive of reducing greenhouse gas emissions from Canadian commercial vehicles. However, in light of ECCC not having research or data to assess the market impact (availability and cost) to the Canadian trucking industry of a 'go-it-alone' CTA recommends the Government of Canada delay the implementation of the GHG trailer manufacturing regulation until at least a new, comprehensive regulatory impact analysis is conducted by the Government of Canada and it becomes clear how US regulators will proceed in regards to a GHG trailer rule.
- The current rules – which are essentially the same in both Canada and the United States – govern the ability of foreign motor carriers to reposition empty foreign trailers (usually their own). Currently both countries permit a foreign truck driver to make an interim (formally referred to as incidental) move of a foreign empty trailer to reposition that trailer for an international load back to the country of origin.
- However, the driver must arrive or depart the country with the same trailer. The current regulations impair the reliability and predictability of the North American supply chain. It forces drivers to sit and wait, which not only impedes their efficiency and productivity, but also cuts into their take-home pay.
- Goods moving “in-transit” are domestic shipments that move temporarily through a foreign country. US CBP initiated an in-transit pilot which has been in effect since 2016. The pilot allows nine qualifying carriers to run in-transit through the US via selected ports.
- The benefits of in-transit movements extend beyond substantial cost savings, including safer routes for drivers and reduced GHG emissions. Unfortunately, implementation of a harmonized data set will not take place until U.S. CBP and CBSA systems are interoperable. Making the process fully electronic so both CBSA and CBP systems are interoperable is critical to restoring in-transits.

#### Areas for Legislative and Regulatory Modernization

- The Canadian Revenue Agency must enforce the misclassification of truck drivers claiming to be small business and enforce their status as a personal service business. The Canadian Trucking Alliance believes this misclassification and lack of enforcement is costing the Canadian economy north of \$1 billion on an annual basis and putting hard working and tax compliant small businesses in the trucking industry at a significant competitive disadvantage. Legal costs must be borne by all Canadian business and it is the responsibility of the Government of Canada to ensure that this is the case.

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- The trucking industry is suffering from an all-year acute driver shortage which is expected to reach a supply deficit of nearly 34,000 truck drivers by 2024. Fleets are currently struggling to find qualified drivers to fulfill their current contractual obligations, forcing many carriers to focus simply on maintenance, rather than growth, strategies.
  - According to the numbers we have received from Employment and Social Development Canada (ESDC) in the past, around 1,500 truck drivers are recruited through the TFWP in any given year. In absolute terms, this number is quite small and represents under 0.5% of the total truck driver population in Canada. With tens of thousands of drivers expected to retire over the next decade, this is but a drop in the bucket. The simple truth is, the trucking industry is nearing a crisis point when it comes to meeting the demands for labour in our sector. When this point is reached, it will no longer be just a trucking issue, but an issue for the entire economy.
  - On April 10, 2017, as part of the Government's response to the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (HUMA) report tabled on September 19, 2016, the department announced that it would work with sectors that are heavy users of the Program to create labour market development strategies in partnership with industry groups, employers, organized labour, provincial governments and other stakeholders. This included trucking and logistics. In the summer of 2018, roundtable sessions were conducted, and 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 Temporary Foreign Worker Program and ways in which the Program (inclusive of policy and service standards) could be amended/enhanced to improve the employer application experience and outcomes. We submitted our report to the TFWP in August 2018, including our key recommendations of looking to a trusted employer model as well as looking to consistent pathways to permanent residency.
  - To begin, the Canadian Trucking Alliance (CTA) proposes the establishment of a trucking focused immigration program or a trucking stream through an existing program. To support this new program or stream and to ensure its integrity, CTA believes a trusted employer model could be employed. In this, companies could be screened up front by a trusted third party, such as CTA, to ensure they meet predetermined labour and safety standards. Once approved, those companies would be able to access this new program and would enjoy expedited approvals when they find suitable candidates abroad and are prepared to move ahead with an employment offer. To expedite the application process and to show benefits to those that have passed the third-party review, the government could consider eliminating the requirement for a Labour Market Impact Assessment (LMIA) and other requirements that would typically be





part of the process. In this, the goal would be to test a program or stream that allows prequalified companies with the highest labour and safety standards to recruit drivers quicker and with less administrative burden. In developing such a program for the trucking industry, other examples such as the Atlantic Immigration Pilot or the Start-up Visa Program could be used as starting points. While the industry could benefit from more truck drivers, we believe it is reasonable to start with an additional 700-1,000 new drivers per year to ensure the program is held to the highest standards from the start. If and when this new program has proven itself to be functional, CTA and the federal government could review the program and decide if it is meeting industry needs or if it should be expanded. Should companies not wish to participate in the trusted employer model or undergo pre-qualification, of course, the option to use other channels such as the Temporary Foreign Work Program and the Northern and Rural Immigration Pilot should be maintained with the existing allocation for new drivers. As stated, CTA's goal is to establish a new stream or program, beyond what currently exists, that would allow trusted and pre-qualified employers access to an expedited process.

- The Northern and Rural Immigration Pilot for truck drivers, if successful, should be expanded to all municipalities in Canada to allow all fleets to have access to these programs.
- ESDC must review its funding approach to occupations like “truck driver” so small business in our sector can have the same access to training dollars as other small businesses in other sectors.

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