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About the Canadian Trucking Alliance

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

About the Industry

Trucking is the dominant mode of freight transportation in Canada, moving approximately 90% of all consumer products & foodstuffs and almost two-thirds (by value) of Canada's trade with the United States. The industry generates over $65 billion in revenues per year, with the for-hire sector accounting for over $40 billion of that total. In terms of GDP, the transportation services sector represents 4.2% of total economic output, or $53 billion. The for-hire trucking sector accounts for 31% of the total share – more than air (12%), rail (11%) and marine (2%), combined. The trucking industry is responsible for creating over 400,000 direct jobs in Canada – 300,000 of which are truck drivers. Nearly 1% of the Canadian population and over 1.5% of the labour force are truck drivers by profession. The for-hire segment of the industry produces roughly $24 billion in personal income on an annual basis, which in turn generates $4.2 billion in personal income taxes and $4.1 billion in indirect taxes for government.

Dominance Based on Service

The simple reason trucking is the dominant mode of freight transportation is the flexible, timely, door-to-door service that only trucks can provide. Trucking works with all the other modes, but its major market is the time-sensitive delivery of small shipments of lighter-weight, high value-added products over relatively short distances. The just-in-time inventory system, which remains a key to Canada's international competitiveness, was built around the truck. Other modes – like rail and marine – dominate in the movement of heavier, bulkier commodities that are generally less time-sensitive over longer distances. Overall, the three modes would overlap or compete on a very small proportion of the freight market – certainly less than 5 per cent.

A Leading Indicator of Economic Activity

Trucking is a derived demand industry. As the economy goes, so goes trucking. As such, trucking is a good leading indicator of economic activity. Trucking is usually six months ahead in terms of any downturn or recovery in economic activity. Not surprisingly, current economic conditions, while not entirely negative (depending on the region and the commodity), are very sluggish, reflecting some recent deceleration in activity and uncertainty. Nevertheless, the longer term outlook for the trucking industry is for continued growth and an even larger share of total transportation sector output.

The Trucking Industry: A New Plan for a Strong Middle Class

The new federal government's platform, "*A New Plan for a Strong Middle Class*", outlines several policy directions. In this submission, CTA will highlight how the trucking industry can work with the government to support the continued growth of well-paying jobs in our sector and promote overall economic growth and competitiveness while improving highway safety and doing its part to reverse the growth of greenhouse gas emissions which leads to climate change.

Youth Employment & Workforce Training

Trucking is a major employer that is working toward diversifying its workforce as it faces a chronic labour shortage. According to the Conference Board of Canada, the trucking industry is facing a prolonged shortage of qualified drivers. The gap between the supply and demand for drivers is forecasted to reach up to 33,000 by 2020 in the for-hire sector alone. The industry is facing a demographic tsunami as nearly 30 per cent of the driving workforce over 55 years of age. There are many types of truck driving jobs, so it is difficult to define the "typical" or "average" truck driver. Nonetheless, the average wage for truck drivers is above the national average wage. Long-distance truck drivers, where the shortage tends to be most acute, can earn significantly more (in a broad range around $75,000) depending on the routes and commodity. There are challenges, but there are also opportunities for both the industry and for the government consistent with the *New Plan for A Strong Middle Class*:

- **Job Training**: It is the Government's stated intention to work with provinces, territories, and post-secondary institutions to develop or expand Pre-Apprenticeship Training Programs and provide up to $10 million per year to help young Canadians gain the skills they need to enter high-demand trades. Unfortunately, under the National Occupational Classification (NOC) the truck driving occupation is deemed to be "unskilled" which raises doubts that student truck drivers would qualify for such support. Currently, (aside from the temporary Canada Jobs Grant) the only funding available to people interested in training to become truck drivers is for those in the EI program. There is little to help young, under-employed Canadians and others seeking a career change to defray the costs of training toward becoming a truck driver. The next opportunity to change the NOC does not occur until 2020. This situation needs to be addressed for the industry to meet its labour needs.

- **Labour Market Agreements** – The government intends to invest $500 million more each year in provincial and territorial Labour Market Development Agreements and to assist those who do not qualify for Employment Insurance, or are not currently employed, by investing an additional $200 million in training programs led by the provinces and territories. Again, it is important that these initiatives include the truck driving occupation.

Trucking offers the opportunity for well-paid, steady, long-term employment and CTA looks forward to working with the government in encouraging increased training and job creation.

Stable/Predictable Infrastructure Investment

Under the *New Plan for A Strong Middle Class*, the federal government will run short-term deficits in each of the next two fiscal years to fund investments in infrastructure through the New Building Canada Fund:

- **Urban Congestion**: There was a strong recognition in the document that Canadian cities have been growing at a rapid rate and that gridlock in these cities costs the economy billions of dollars in lost productivity each year. CTA agrees that emphasis should be placed on securing stable funding to correct this gridlock for provincial and municipal projects designed to relieve congestion. Transit plans are also identified as key to relieving this congestion – something the trucking industry is supportive of. However, CTA urges the federal government to also work with provinces and municipalities to identify strategic road-freight infrastructure investments to ensure that our urban areas are able to accommodate efficient goods movement. Getting people out of their cars is a key part of the solution to relieving congestion, but in downtown city cores the problem is typically much more complex than that. Our cities have been designed, developed and grown, their buildings constructed, with little consideration given to goods movement.
- **Longer-Term Infrastructure Investment**: The proposed infrastructure program will provide a much-needed economic injection in the short-term and will no doubt have lasting benefit. However, this does not replace the need for a long-term, sustainable program of strategic infrastructure spending, particularly as it pertains to highways and bridges. The recent problems at the Nipigon River Bridge in Ontario, underscore the need for continued support of roads and bridges and the federal government role, particularly in remote regions, with regard to the Trans-Canada Highway. Though many countries are struggling with the challenge of infrastructure funding, Canada remains one of the few, if not the only major industrialized country on the planet that does not have a national highway policy. While the federal government has a long history of providing assistance for highway construction in Canada, much of this has been ‘ad hoc’, ‘project by project’, and ‘unpredictable.’ In 1987, a process started to develop an integrated national highway policy, involving the federal, provincial and territorial governments, which attempted to establish clear expectations and goals. The policy was developed by the Council of Ministers Responsible for Transportation and Highway Safety between 1988 and 1992. However, federal negotiations with the provinces on a funding mechanism were not successful, and the federal government conceded in 1994 that consensus was unattainable at that time. In 1997, the Standing Committee on Transport concluded the status quo was

unacceptable and made recommendations regarding the future support of the national highway system.

- **Fuel Taxation**: In 2005, the Council of the Federation issued a report calling for more predictable federal infrastructure investment. The Council regarded revenues from federal fuel taxes as the appropriate funding source for a permanent transportation investment program to allow for long-term planning. The federal excise tax on diesel fuel (which is 4 cents per litre) currently serves no policy purpose. It is not a road user fee. The revenues simply flow into general revenue. It is also an archaic and regressive form of taxation that should have been absorbed within the GST/HST framework years ago. During the 2008 federal election campaign, the former Prime Minister promised to reduce the excise tax on diesel by 50% (two cents per litre). He never did follow through on that commitment. However, it was CTA's view that rather than reduce the tax it would be better to dedicate the revenue to road/highway infrastructure. We still maintain that view.

More than ever, predictable funding is needed to support strategic road infrastructure projects across Canada.

Climate Change & Trucking

The trucking industry's economic goals have never been more aligned with society's goals in terms of greenhouse gas (GHG) reduction as they are today. The Canadian trucking industry is a world leader in terms of embracing innovative solutions to enhance fuel economy. The federal government has also moved quickly to demonstrate to the world that Canada will be taking a much more proactive and aggressive approach to mitigating the impact of climate change. It has committed to working with the provinces to establish national GHG reduction targets, and ensure that the provinces and territories have targeted federal funding and the flexibility to design their own policies to meet these commitments, including their own carbon pricing policies.

- **Low Carbon Economy Trust**: In *A New Plan for A Strong Middle Class*, $2 billion has been earmarked for a new Low Carbon Economy Trust which will provide funding to projects that materially reduce carbon emissions under the new pan-Canadian framework. Transportation, including trucking, has been identified as a significant contributor to Canada's carbon output. Whether directly through carbon taxes, or indirectly (via higher fuel prices) through cap and trade systems, the trucking industry will generate a significant contribution to funds generated from carbon pricing and therefore the Low Carbon Economy Trust. CTA strongly believes that such revenues should be reinvested into the sector to allow for the accelerated penetration of currently existing and proven GHG reducing technologies/devices and alternative fuels (e.g., natural gas, electric power) and to assist in the development and introduction of next generation alternative fuels. CTA also notes the *New Plan for a Strong Middle Class* calls for an investment of

$200 million more per year to support innovation and the use of clean technologies in the natural resource sectors. A similar initiative would be of benefit to the freight transportation sector.

- **Enhanced Tax Measures** – The New Plan for a Strong Middle Class commits the federal government to enhancing existing tax measures to generate more clean technology investments and work with the provinces and territories to make Canada the world's most competitive tax jurisdiction for investments in the research, development and manufacturing of clean technology. That is a good thing. However, enhancements are also required to increase the affordability and accelerate investment in such technologies when brought to market. For example, CTA calls for acceleration in the Capital Cost Allowances (CCAs) for carbon-reducing heavy truck technology.

The Canadian trucking industry is prepared to do its part in the fight against climate change. What we have been seeking is a partner in the federal government.

Expanding Exports

Canada's reliance on trade for its economic well-being goes without saying and expanding our exports is of paramount importance:

- **The Canada-US Relationship**: The *New Plan for a Strong Middle Class* correctly states that Canada's economic success relies on strong trade relationships with our closest neighbours: the United States and Mexico. As previously mentioned, trucking is the dominant mode for cross-border trade in North America. CTA supports the creation of a cabinet committee to oversee and manage the relationship with our trading partners. In addition, CTA urges the government to maintain the special group within the Privy Council Office to lead these efforts and to coordinate with the line departments and agencies. While the Beyond the Border (BTB) Agreement did not achieve all of its objectives, it was nonetheless a worthwhile effort and the federal government should seek to introduce a new bilateral process. While BTB had the support of the two countries' leaders, it suffered from the fact it was not a treaty or legally binding agreement.
- **Border Infrastructure & Business Travel**: CTA welcomes the commitment to promote a steadier flow of goods and business travellers by modernizing border infrastructure and streamlining cargo inspections through the Building Canada Fund. We hope, for example, the exchange-related increase in the projected costs of building the Gordie Howe International Bridge will not further impede the long-awaited construction of that vital infrastructure project. Moreover, from a business traveller perspective, it is important the federal government continue to pursue with the United States a modernization of the rules governing such things as the repositioning of foreign empty trailers and potential US immigration issues for Canadian truck drivers who spend a considerable amount of time operating internationally between Canada and the U.S.

- **Trade Agreements**: The *New Plan for a Strong Middle Class* also speaks to the need for properly negotiated and implemented free trade agreements. We agree. However, this should include not only new agreements, but also an examination of the existing agreements and protocols – particularly those involving Canada and the United States. For example, the imposition of the US Animal and Plant Health Inspection Fees on all trucks crossing from Canada into the U.S., regardless of whether agricultural goods are being transported or not, is inconsistent with the United States' obligations under GATT and NAFTA.

Supporting the trucking industry in these key areas will help to deliver the kind of predictable, reliable and efficient supply chain necessary to support growing Canadian exports.

Legalization of Marijuana

In the *New Plan for a Strong Middle Class*, the government says it will remove marijuana consumption and incidental possession from the Criminal Code and introduce stronger laws to punish those who provide it to minors and (most importantly from CTA's perspective) operate a motor vehicle while under its influence. It is imperative that in developing the new laws governing marijuana use, the federal government take full account of any relevant issues with regard to its trade interests and obligations – particularly with the United States (where, for example, Canadian truck drivers are subject to US drug and alcohol use testing) – and provide clarity as it pertains to the obligations and rights of employees in safety sensitive positions and their employers as well as the type of on-road enforcement protocols that will be introduced. Such clarity certainly does not exist now as it relates to medical marijuana. Furthermore, a portion of the revenue-generated from any taxation on the sale of marijuana must be allocated to ensuring that appropriate education and awareness programs are created and that the necessary enforcement resources are fully in place before implementation.

Conclusion

The 2016 federal budget will be an extremely important document in terms of laying much of the groundwork towards realizing the commitments contained in the New Plan for a Strong Middle Class as well as ensuring a strong future for Canada. CTA appreciates the opportunity to make this submission to the House of Commons Standing Committee on Finance.