

Pre-Budget consultation brief from The Canadian International Freight Forwarders Association

- **What is most important to you?**

CIFFA is an association representing approximately 12,000 freight forwarders (who manage the transportation of about 82% of Canada's freight) drayage truckers (who move freight in and out of Canada's ports and railyards, and freight brokers, responsible for cross border transit of goods.

In short, this is the association for those responsible for rapid and cost-efficient transportation of most of Canada's freight imports and exports. CIFFA members are on the "front lines" of the supply chain and therefore have visibility and insight into one of Canada's most significant economic challenges.

The supply chain problems are far from being resolved, and they constitute an ongoing financial drain on the Canadian economy. Although we commend the Minister and Department of Transport for the Supply Chain Task force report, it's essential that the recommendations they've endorsed become part of the government's budget priorities.

The Report focused on longer term solutions, which we agree are important, but it's worth noting that there are also many facets of the supply chain challenges which lie within federal control and need to be addressed more immediately. Every aspect of federal agency involvement needs to be continuously reviewed to ensure it is not unnecessarily adding inefficiencies.

The government should not believe that endorsing long term recommendations constitutes an adequate response to a current crisis which costs the Canadian population many billions annually in lost opportunities and sales.

The uncertainty of supply chains impacts the economy at myriad levels- undercutting investor confidence, limiting business growth, and preventing Canadians from capitalizing on market opportunities. This should be one of the highest priority files of a national government.

Two factors are critical to an efficient, competitive transportation system: a skilled workforce and excellent infrastructure.

Skilled workforce

Skilled people are the key to Canadian competitiveness. Canada has invested at the federal and provincial levels in apprenticeship and internship programs which we strongly endorse, but as the labour market continues to evolve, we urge continuous support and experimentation to ensure such programs create the needed outcomes.

Canada is also unique in its commitment to high levels of immigration and it is imperative to invest in placement and training programs to ensure these – mostly skilled – immigrants are able to make an early contribution.

Ensuring a fair evaluation of skilled occupations is an important part of the immigration process. The more skilled the occupation, the easier it is for an applicant to enter Canada and advance towards permanent resident status. CIFFA has petitioned the Department of Human Resources and Skills Development to properly classify the work of freight forwarders, recognizing the responsibility borne by the role and therefore classify people coming to Canada for this occupation, rather than defining them as less responsible shippers and receivers. This is an important, albeit highly specific issue for our industry, as the cost of recruiting and training people is significant and is lost to the employer if a recent arrival “trades up” to another occupation.

Transportation infrastructure

Good infrastructure is a critical factor in national competitiveness. Canada depends on trade for over two-thirds of its gross domestic product (GDP.)

It’s also a valuable tool for improving environmental results. An OECD report in 2017 “Investing in Climate, Investing in Growth” makes clear new infrastructure is usually more efficient and less impactful on the environment, even if it’s not especially “green” in design.

Infrastructure is also egalitarian – the benefits are available to everyone from small business to huge corporations.

But international studies show Canadian infrastructure declining in quality and adequate capacity. Canadian governments have promised to spend very large amounts on infrastructure, but often the actual spending lags, with serious impacts on new business investment. According to the Canada West Foundation, business confidence in our commitment to competitive infrastructure has fallen sharply. *“A little over a decade ago Canadian users placed*

the country in the top 10 of global infrastructure rankings. As trade has grown in importance, confidence levels in the country's transportation infrastructure systems have fallen and were ranked at 32nd in the world in 2019 — below all of our major competitors.”

Parliament should examine the barriers to infrastructure investment as an urgent public policy matter. Is it a failure of government coordination? Administrative delay? Why are other countries able to resolve complex investment decisions so much more rapidly?

Canada's transportation infrastructure expenditures seem uncoordinated. There is no clear plan agreed by users, governments and service providers. Funding for major infrastructure projects seem entirely responsive to the proposals made by various agencies and private sector investors, few of which target national objectives.

To quote the Canada West Foundation again: *“What Canada lacks...is a long-range, evergreen national plan.... a recent analysis by the European Auditors, which compared how the EU, U.K., Australia, and Canada manage large transport infrastructure projects, found Canada to be the only jurisdiction lacking coherent, institutionalized long-term co-ordination and planning.”*

The lack of targets to guide infrastructure investment confuses investors and increases risk. This is exacerbated by arguably the most serious disincentive for investment in Canada today: the uncertainty created by extremely lengthy review processes, and the addition of non-environmental conditions to compulsory reviews.

Examples of protracted reviews are not hard to find. Perhaps the most notorious is the Roberts Bank Terminal Project, a significant proposed expansion of terminal capacity in the Port of Vancouver. Consultations conducted by the proponents of this project began in 2011 and the most optimistic estimate would have the facility operational no sooner than the 2030s. Roberts Bank represents a potential annual volume of 2.4 million containers, a very significant increase over the British Columbia ports' current volume of 3.7 million containers.

Another example is the CN Milton hub, for which CIFFA expressed its initial support in 2017. Following an extensive environmental assessment under the Canadian Environmental Assessment Act, the Milton Logistics Hub was finally approved by the federal government on January 21, 2021. But now, two years later, the Project is still subject to regulatory permits and has been appealed by Halton Region.

Lastly, in 2016 the federal government announced it would install state-of-the-art high speed X ray equipment at the new Tsawwassen Container Examination Facility in British Columbia. This Large Scale Imaging (LSI) equipment would streamline operations and increase through-put significantly. The current process, as the Committee will know, involves opening the container,

removing the contents for examination and re-packing it. When the LSI equipment is operational, the container is x-rayed without being opened, a huge saving of time and labour.

To date this equipment has not been installed, costs and examination delays have risen, and no explanation has been forthcoming for the postponement.

Through the early months of the pandemic, Canadian border security processes were streamlined; an effective response which facilitated trade in essential supplies. It also demonstrated that security objectives could be realized with less cumbersome systems. This remains a high priority effort for government and the private sector. Efficient border and port processes are a benefit to the entire economy. Recent federal commitments to improved use of data and data sharing are very welcome and we urge the government to ensure this effort is fully supported.

- **What challenges do you see ahead?**

There are many factors which can serve as “disruptors” to the efficient and reliable transportation systems all Canadians rely on. Among these:

- Protests which illegally block road or rail connections
- Labour actions arising from unsuccessful negotiations
- Weather issues, some perhaps increased by climate changes

Each of these arises from different circumstances, in different parts of Canada, and by definition they are unpredictable. They add elements of risk to a business climate which is already complex and unpredictable.

Contingency plans are essential. We have seen through bitter experience the damage that weather-related incidents, labour disruptions or illegal activities can cause. Effective responses can require extensive resources and tremendous cooperation among governments and agencies.

Since we know this, it is an obvious responsibility of governments to prepare and maintain capacities to respond to transportation disruption, including and perhaps especially maintaining cooperative relationships with provincial and municipal authorities. Proper planning should address the most likely scenarios and the various barriers to ensure rapid cooperative action before the actual disruption occurs.

- **What should the government be focused on in Budget 2023 to build an economy that works for everyone?**

Firstly, in the broadest sense, we live in a world which is sharply different and less secure than we did just five years ago. The disruptions of Covid 19, which are far from over, demonstrated the danger or reliance on global trade. The rise of autocratic leaders threatening to supplant democratic capitalism in many nations hints that our faith in legal systems and international treaties is somewhat misplaced.

In a larger sense, our economic strategies of the last quarter century were built on assumptions about globalization which seems increasingly hollow. The framework of free trade and international competition, policed by international treaties and enforceable trade rules, has become unreliable. And huge parts of the world's population live in nations which do not endorse capitalism, with its straightforward parameters: profit and loss, supply and demand.

Canada needs to invest its diplomatic energy in the creation of more robust trade alliances with friendly nations who are disposed to respect the trade rules they have agreed upon and use the dispute mechanisms to resolve trade conflicts.

Conclusion

In its annual assessment of national competitiveness, the World Economic Forum ranks Canada quite highly – 14th of 137 nations studied. It notes Canada's strengths: reliable institutions, excellent education systems, innovative financial markets...etc.

But it also identifies "inefficient government bureaucracy" and "inadequate supply of infrastructure" as some of the biggest barriers to business success. In addition, they report that the measure of "efficiency of government spending" has fallen 13 places in a single year.

These are issues which can be solved by resolute actions by the people in governments across the country, and we draw them to the attention of the Standing Committee.