Canadian Trucking Alliance (CTA)

Canadian Trucking Alliance

Submission to Brennen Young
Director, Policy Strategic Planning, Regulatory Affairs Sector
Treasury Board of Canada Secretariat
Email: RCD-DCMR@tbs-sct.gc.ca

In response to Canada Gazette:
Regulatory Modernization – Request for stakeholder comments

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Canadian Trucking Alliance
555 Dixon Road, Toronto, ON M9W 1H8
Tel: 416-249-7401 – email: govtaffairs@cantruck.ca
Follow us on Twitter @cantruck and on the internet www.cantruck.ca

Background

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 service and specialty. Our members employ approximately 150,000 Canadians and are responsible for meeting about 70% of the country's road freight needs. 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. CTA represents the trucking industry's viewpoints on policy, regulatory and legislative issues along with conducting public relations activities.

Regulatory modernization – Request for stakeholder comments

In recent years, the Government of Canada has undertaken a number of initiatives to modernize the Canadian regulatory system and improve its performance for Canadians and businesses. The Treasury Board of Canada Secretariat (TBS) is inviting input from all interested stakeholders on four of these regulatory modernization initiatives through this notice:

- 1. Targeted Regulatory Reviews (Round 2);
- 2. Review of the Red Tape Reduction Act;
- 3. Exploring options to legislate changes to regulator mandates; and
- 4. Suggestions for the next annual Regulatory Modernization Bill

CTA appreciates the opportunity to submit comments on regulatory modernization by the Treasury Board of Canada. For the purpose of this submission, CTA's comments will focus on questions asked for Targeted Regulatory Reviews (Round 2) focusing on reducing barriers in three main areas: Clean Technology, Digitalization and Technology Neutrality and the use of International Standards. This submission outlines the issues and the impact certain regulations have on Canadian trucking companies. Also outlined are potential solutions to reduce these impediments which would level the playing field for all carriers and create an opportunity for continued economic growth and innovation in our sector.

Our submission also includes a list of items which were included in our submission to the Treasury Board in 2018, which CTA is resubmitting for further consideration under these regulatory reviews.

About the Industry

Trucking is the dominant mode of freight transportation in Canada, moving about 90% of all consumer products & foodstuffs and almost two-thirds (by value) of Canada's trade with the United States. Nearly 1% of the Canadian population and over 1.5% of the labour force are truck drivers by profession. 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. 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. Of that, trucking accounts for a greater total share than air, rail and marine combined. The trucking industry is responsible for creating over 400,000 direct jobs in Canada – over 300,000 of which are truck drivers. The for-hire segment of the industry produces over $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.

Trucking Moves the Canadian Economy

Trucking is a derived demand industry. As the economy goes, so goes trucking. As such, trucking is a good leading indicator of economic activity. 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, is 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.

Issues at a Glance for 2019

Clean Technology/Environment

De-Carbonization of Trucking

The reduction of greenhouse gases from heavy trucks makes environmental and business sense for trucking fleets – less fuel burned in trucks equates to fewer carbon emissions and less operating expenses for fleet operators. CTA has maintained the position that mandating accepted, market-tested technologies that will achieve these two objectives is a goal for the industry.

Diesel Emissions Tampering

The practice of physically or electronically removing built-in technology on trucks or their engines that reduces smog and other illness-causing emissions carries few, if any, consequences. Pollutant levels of Nitrous Oxides (NOx) and Particulate Matter (PM) that cause smog and health issues such as cancer and birth defects resulting from the burning of diesel fuel from emissions-deleted vehicles can be in excess of 40 times the current standards. The Canadian Environmental Protection Act (CEPA) currently provides few regulatory options to combat this practice. CTA believes proposals under consideration by Environment and Climate Change Canada (ECCC) with respect to modernizing CEPA if implemented will bring accountability and consequences to non-compliance on this issue.

Glider Kits

Clarification is required on what is allowed with respect to solicitation, sale, manufacturer, assembly and use of this technology and action should be taken in the interim to prohibit older engine technology from being installed in new vehicles and operated in Canadian jurisdictions.

Digitalization and Technology Neutral Regulations

U.S. In-transit Pilot

Goods moving "in-transit" are domestic shipments that temporarily transit through a foreign country. Currently, U.S. carriers are able to take advantage of in-transit moves through Canada with U.S. goods, where reciprocal actions for Canadian carriers in-transit through the US with Canadian goods is restricted because of a technology barrier with Canada Border Services Agency (CBSA) creating a competitive disadvantage for Canadian carriers.

Re-Manifesting and Reducing Paper Requirements

The purpose of this process if for CBSA is to control goods until final clearance at the destination, but the current process is administratively burdensome. The lack of electronic options for the re-manifest of cargo and other paper processes, require the continued use of inefficient customs practices.

International Standards

If International standards specific to any aspect of the trucking industry are to be considered, they should be reviewed on case-by-case basis. The trucking industry in Canada is unique to other parts of the world and in many cases has higher standards, including those found in the US, and a one-size-fits-all application is not always the most appropriate course of action to take by government regulations.

Issues at a Glance being re-submitted from 2018 submission

Labour

Temporary Foreign Worker Program (TFWP)

With chronic labour shortages in our industry, regulatory changes could be made to the TFWP to better allow access to the program.

Safety

Hours of Service (HOS)

With the regulatory framework completed for the electronic logging device (ELD) mandate for federally-regulated trucking companies coming into effect in June 2021, strong regulatory coordination and commitment is now needed amongst provinces to apply ELD requirements to provincial-regulated trucking operations where log-books are required.

National Safety Code & Motor Vehicle Transport Act

Consistency in the development and application of the National Safety Code (NSC) in all jurisdictions is critical and a strengthening of the Motor Vehicle Transport Act (MVTA) and federal oversight of the provinces needs to be addressed.

Finance

Driver Inc.

A new tax evasion scheme that allows non-compliant carriers and drivers to evade their tax and labour code responsibilities. This issue is centered on tax fairness and competitive issues and requires regulatory clarity and enforcement.

Excise Tax Rebates

A regulatory change that was made in Budget 2016 which has negatively affected the industry's ability to comply with new GHG rules.

Extending the Accelerated Investment Initiative (AII)

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 is a positive step. However, with the initiative only set to run for a limited amount of time, it is now clear the AII needs to be extended. Likewise, the exclusion of key equipment such as trailers is handcuffing the true impact this initiative could have.

Carbon Pricing and Backstop Jurisdictions

As it stands, the trucking industry is only receiving a small proportion of the revue it is generating for the federal government. The industry is desperate to see more meaningful programs implemented to help spur investment in greener technology. To see the revenue our industry is generating, invested in a meaningful way back into our industry. CTA would like to see an environmental program for the trucking industry established, which is funded through the industry's carbon tax payments.

Technology and Infrastructure

Investment in Border IT Infrastructure

With e-commerce growing exponentially each year, the hardware that supports this electronic system requires major upgrades to meet the demands of today's cross-border trade.

Advanced Driver Assistance Systems (ADAS)

Regulatory development is necessary to determine which technologies are best suited for the trucking industry and have the most positive impact. Drivers will always be part of the equation when it comes to trucks, so the focus needs to be on adopting ADAS technologies to support drivers while also making roads safer.

Excise Tax Dedication to Truck Parking

In order to support economic growth, access to communities for trucks is essential and further federal investment needs to be directed towards easing the truck parking shortage.

Issues, Impact and Solutions for 2019 Submission

Clean Technology

CTA has been supportive overall of ECCC's Phase I Heavy Truck Greenhouse Gas regulation and the current Phase II proposal. The regulation is projected to reduce heavy truck emissions in Canada by 100 million metric tonnes – the emissions equivalent of removing 22 million cars from Canadian roads. As the only mode to be regulated on these two fronts, the trucking industry is proud to do its part in reducing its environmental footprint. CTA and its members are continually exploring ways to reduce carbon emissions from our vehicles – it's also the right thing to do both from a societal and business perspective.

From a technological, operational and infrastructure standpoint there are some current limitations from moving away from diesel as the primary fuel used in the trucking industry today. Working towards further decarbonization and focusing on those in our industry who willfully disregard emissions controls to the detriment of our air quality, are areas where further regulatory enhancement and review is required.

Issue: Decarbonization of Trucking

CTA has maintained that mandating accepted, market-tested technologies that reduce harmful carbon emissions while increasing operational efficiencies for fleets makes sense. What's not practical, however, is mandating certain technologies or fuels that are not market-tested or compatible for specific Canadian operating environments. With so many viable options available, the reduction of carbon emissions should not be complicated by imposing certain fuels or technologies that lead to unnecessary challenges for motor carriers.

The trucking industry is not a monolithic entity. There are short-haul and long-haul companies, the latter consuming the bulk of the fuel. Although low carbon technologies like natural gas and electric engines have less operational, infrastructure and supply chain impact on short- haul trucking, government must also be aware that significant impediments for long-haul fleets using these technologies continue to persist.

Impact: As the federal government continues to explore legislation around mandating the use

of low carbon fuels – such as carbon pricing and the Clean Fuel Standard – CTA would like to reiterate that readily available fuel technology and infrastructure has not kept pace with the trucking industry's desire to reduce its carbon footprint.

Risk is the primary obstacle for fleets looking to reduce their carbon footprint. The trucking industry is a highly competitive sector and companies cannot afford to make a mistake investing in their prime revenue generator – their trucks. These risks, along with lack of infrastructure, operational challenges, and the absence of incentives for buyers, make companies less likely to adopt certain low carbon fuel technology.

Solution: From a regulatory perspective, the government would be well served to encourage provinces to provide weight allowances for natural gas trucks, which are heavier and thereby limit carriers' ability to haul certain products for customers. A tank weight allowance of 1500 kgs, like the one in British Columbia for natural gas heavy-duty trucks, would help expand adoption of natural gas vehicles.

To encourage investments in technologies such as electric and natural gas trucks, aerodynamic devices, wide single tires and other technologies, governments must de-risk these investments with incentives while expanding natural gas and electric vehicle infrastructure and fueling stations.

Issue: Diesel Emissions Tampering

Since 2002, diesel emissions standards for heavy commercial vehicles have progressively eliminated nitrous oxides (NOx) and particulate matter (PM). This was the right decision for federal government as the rule purged these smog- and illness-causing pollutants from the heavy truck sector. CTA is supportive of these efforts; however, non-compliance with the regulations in the form of emissions tampering by drivers, vehicle technicians, trucking fleets and garages who offer delete services impacts economic development and the competitiveness of compliant operators in the trucking industry.

Methods involved in circumventing the rules can be very rudimentary (physical removal of emission-control componentry or devices as well as technically sophisticated re-programing of engine computers to reconfigure fuel mixtures or to trick sensors into thinking the engine has been cleaned of NOx and PM).

Impact: This practice continuously damages the environment while giving those who use these delete kits an unfair competitive advantage over compliant operators, who must pay more for fuel and maintenance on their vehicles. Meanwhile, by defeating emissions control systems, non-compliant operators are able to reduce their maintenance and fuel costs by 10-40% with few, if any, legal consequences. This also leads to severe market distortions in how costs are passed along to the supply chain and, eventually, Canadian consumers.

Solution: To effectively eliminate illness-causing emissions from heavy-duty diesel engines, enforcement of federally-regulated emissions standards needs to be a shared responsibility between the federal government and provinces. At the provincial level, governments need to effectively contest drivers, companies and facilities that disconnect or delete federally-mandated emissions controls on heavy-duty diesel engines, as well as drivers and carriers who operate vehicles in Canada without emissions controls. CTA recommends a four-pronged approach that includes roadside checks; facility reviews of companies whose trucks are found out of compliance; enhancements in the annual safety inspection requirements regarding emissions for heavy trucks; and a campaign to identify and shut down facilities that offer and profit from the deletion of emission control system.

At the federal level, enhancements to the Canadian Environmental Protection Act (CEPA), proposed by the Minister in a report to the House of Commons, provide Environment and Climate Change Canada more power to conduct emission tests on suspected vehicles, remove non-compliant vehicles from operation and importation into Canada and make it illegal for garages to offer emission delete services. Decisions on these recommendations, which would supersede provincial regulations, has been pushed off until after the next federal election, but need to be revisited as soon as a new government is formed.

Regulatory Experimentation: As part of the roadside checks identified in CTA's four-pronged approach, enforcement officials from provincial transportation and environmental agencies should be afforded the legal opportunity to use engine diagnostics technologies provided by heavy truck manufacturers to determine emissions compliance during roadside inspections. While CEPA amendments are being considered, ECCC should also be allowed to collect information on facilities offering and profiting from the deletion of emission control systems and share that information with provincial and territorial officials.

Issue: Glider Kits

Transport Canada interprets the industry term "glider kit" as an assemblage of parts (kit) that would constitute a truck, minus the power train (engine, transmission and drive axles). They were traditionally meant for assembling a new truck using the aforementioned critical components salvaged from a crash or removed due to modifications to the existing tractor/frame. However, clarity of the rules is needed as there appear to be loopholes which allow these tractors to be used in contravention of the spirit of the emission regulations. Consequently, glider kits have become more popular since the advent of emission controls on diesel engines in the early 2000s since they effectively use older generation engines to power newer vehicles. There's also some confusion over government authority on glider kits (i.e Transport Canada vs. Environment Canada) and whether those authorities/regulations are consistent between jurisdictions.

Impact: By using older engines in new vehicles, operators achieve better fuel economy and reduced maintenance costs while emitting up to 40 times the smog-causing pollution, compared to new, complete vehicles. The upfront purchase price of gliders is also approximately 30% less than the cost of a new vehicle, allowing operators a cost input benefit at the expense of the environment while also distorting market costs in providing services to the supply chain.

Solution: ECCC indicated their intent to close the loopholes on glider kits when their Phase II GHG emission regulation goes into effect. However, these changes are not scheduled to take effect until 2021. Clarification is required in the interim on exactly what is allowed and action to prohibit older engine technology being installed in new vehicles and operated in Canadian jurisdictions.

Digitalization and Technology Neutral Regulations

In general, customs and cross-border processes are prime areas for digitalization. The digitalization of a number of processes through eManifest and other technologies would significantly reduce a fleet's administrative and regulatory burden, cut down on human error and the need for truck drivers to carry paperwork – such as Lead sheets – and other documents when complying with customs rules and regulations.

CBSA is working towards greater digitalization and the reduction of paper processes through projects like the CBSA Assessment and Revenue Management (CARM) and the Secure Corridor pilot. Further research on the use of Blockchain or other technologies to store customs data, and the use of app/smart phone technologies for truck drivers to present documents, can continue to drive digitization to simplify the customs process.

Two additional customs related items, the expansion of the U.S. In-transit pilot, and requirements for re-manifesting goods in Canada, would not only simplify the regulatory process but create efficiency gains in the trucking industry for many fleets.

Issue: U.S. In-Transit Pilot

Goods moving "in-transit" are domestic shipments that temporarily transit through a foreign country. Since the goods do not enter the other country for consumption – and are not offloaded, stored, or manipulated in the course of the trans-shipment or come to rest in the foreign country – the shipment can be handled with minimal documentation.

For many years, in-transit shipments between points in Canada, travelling through the U.S. were common practice, but after the events of 9/11, new security protocols called for in-transit movements to be halted. In-transits were partially restored in 2016, when U.S. CBP initiated a pilot that allowed nine qualifying carriers to run in-transit via a limited number of ports of entry. In-transit movements currently remain under a pilot through a joint partnership between U.S. CBP and CBSA.

Impact: Carriers that are unable to move in-transit are forced to transit across Canada, adding significant extra costs and inefficiencies. A lack of maintenance facilities, fueling stations and rest stops, strain on hours of service, unfit infrastructure, and often poor and unsafe weather conditions in many northern parts of Canada also contribute to these inefficiencies. Cost estimates range from $800,000 a year for a small business to over $1.7 million for a medium sized company. Currently, U.S. carriers are able to take advantage of in-transit moves through Canada with U.S. goods, creating a competitive disadvantage for Canadian carriers. In Ontario alone, over 107,000 U.S. truck movements benefit from this advantage each year.

The inability of Canadian carriers to move in-transit also adds a significant number of added miles to a trip, that not only adds additional fuel costs (fuel is the first or second leading cost for most fleets) but also creates the addition of unnecessary GHG emissions that pollute our environment. With the government's focus on reducing GHG emissions through complex policies like the carbon tax or Clean Fuel Standard, restoring in-transits would have a significant impact in further reducing emissions from the trucking sector.

Solution: While CBP requires electronic submission of both conveyance and full commercial information for in-transits, it is CBSA's preference to not include the requirement for full commercial information. For the time being, CBSA still requires the paper A8B form for in-transit movements, as onboarding with eManifest continues to be introduced over the next few years. CBP has indicated it will not open the pilot to additional carriers and additional ports of entry until CBSA removes their paper stamping requirements, and the process is fully electronic between both countries.

CTA understands that the interoperability of two government IT systems is a complex and costly process, but a commitment from CBSA to remove their paper-based requirements and towards digitalization by investing in needed IT changes, will help create greater supply chain efficiency, reduce cumbersome paper-based requirements, and level the playing field with U.S. carriers.

Issue: Re-manifesting and Reducing Paper Requirements

Re-manifesting is usually a request that comes from an importer during the customs process because it is closer to their business, the final destination of the goods, or their broker might be in the same city and may be familiar with the shipment. Due to CBSA regulations these goods must be in-bond and carried by a bonded carrier, with CBSA being in control of the goods until final clearance at the destination. Currently, the lack of electronic options for deconsolidation and re-manifest of cargo, or to request changes to previously submitted

information, require the continued use of inefficient paper-based processes.

Impact: Based on discussions with fleets that employ the re-manifesting process, the current process can be burdensome, time consuming and very inefficient for fleets. Below is the process some carriers must go through to work with their customers and meet the current requirements of CBSA:

- The carrier has to manually duplicate everything that is on company's bond form
- They are required to print off 5 copies or buy a dot matrix printer, and the carbon forms with all the other documents, and send them out via mail or by courier
- This all occurs because they must be stamped at the closest bond shed in relation to where the loads arrive and not a carrier's offices
- They hope that all the documents are stamped properly, then have them returned by mail or get the forms couriered back to them again
- They then must put all these documents in an envelope for each shipment, and have them sent back to their drivers who are hundreds of miles away from their head office, so they can physically stop at the border and get them stamped

This is a very inefficient, burdensome process that needs to be modernized to save both time and money for trucking companies.

Solution: A long-term solution would include having these processes become fully integrated electronically through eManifest. As an interim solution, some companies would like to have the option of having the paperwork done at a local customs bonded facility to avoid this added administrative work. This would reduce some of the burden and inefficiencies in the process. Having automated messaging through CBSA systems allowing carriers to adjust the port of clearance from one port another, or automated messaging adjusting the carrier code from the original carrier to a new carrier should also be considered.

International Standards

Issue: Diversity and Uniqueness of the Canadian Trucking Industry

The Canadian Trucking Industry is unique is many aspects compared to trucking in other countries. Our geography, climate, vehicle weights and dimensions standard, hours of work regulations, vehicle safety standards to name a few are tailored to meet the diversity of the county and the supply chain.

Impact: Adopting international standards without a fulsome review and understanding with respect to the impact of those standards on existing Canadian practices may not serve the

industry or the supply chain well and could lessen safety, protection of workers and impact productivity gains achieved over the last several decades.

Solutions: Departments considering a shift towards international standards should in each case be consulting directly with the trucking industry to determine suitability of such changes well in advance of proposed regulatory or legislative proposals.

Issues, Impact and Solutions from 2018 Submission

Below are a number of topics from CTA's submission in 2018, which we would like to the Treasury Board to continue to consider for regulatory review moving forward. We believe that acting on these issues will continue to reduce the unnecessary burden on our industry, harmonize and modernize standards and will make conducting business more efficient and less costly, while leveling the playing field for all carriers in Canada.

Labour

Issue: Chronic Labour Shortages

Unlike other industries like manufacturing, truck driving is an occupation that cannot be offshored or shipped overseas. We must ensure we are doing all we can to support new Canadians and match them with employment opportunities in our most in-demand industries. According to transportation consulting firm CPCS, the gap between the demand and the supply of truck drivers in the Canadian for-hire trucking industry could reach as high as 48,000 drivers by 2024 – which equates to 17% supply deficit. Today, the vacancy rate for truck drivers is 6.6% - the highest of any sector, and more than double the national average. The driver shortage is felt most acutely in the long-distance/cross-border truckload sector of the business, but all sectors of the industry are impacted.

Impact: While our projections look out to 2024, there is no doubt the driver shortage is here today. With the industry already short thousands of drivers from coast to coast, it is only a matter of time before the shortage begins to impact the wider economy as shippers continue to struggle to secure transportation services. Being without drivers for trucks becomes a financial balancing act for trucking companies. Unseated trucks that sit idle still accumulate financing or lease charges that can range up to $3000 per month and the revenue loss/growth opportunity for the average long-haul truck are often around $1000 per day.

Solution: Following a sector review report conducted by Trucking HR Canada, in partnership with the Temporary Foreign Workers Program (TFWP), CTA proposes key changes to the TFWP for the trucking sector. Among the chief recommendations is the establishment of a trusted- employer/fast-track process for employers that meet top industry criteria. For this, we

recognize the need for vetting of employers during the initial application to ensure legitimate companies are using the TFWP as it's intended. However, the vetting data could then form an employer profile that serves as proof of trusted employer status, fast-tracking subsequent labour market impact assessment (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.

The government could also look at establishing specific programs for the trucking sector, or to establishing dedicated streams within new or existing immigration programs. While programs like the Atlantic Immigration Pilot and the Rural and Northern Immigration Pilot are a good start, and indeed welcomed by the industry, there is still a need in other parts of the country for other programs that can be used to recruit truck drivers. CTA also supports the use of various provincial nominee programs and continually encourages the federal government to provide the provinces with healthy cap limit.

Safety

Issue: Hours of Service Regulations

Transport Canada's regulations that apply to federally-regulated trucking companies for electronic logging devices (ELDs) comes into effect in June 2021. It is estimated that 5 to 10% percent of truck drivers routinely exceed hours of service limits. CTA believes HOS compliance is critical to highway safety and a level playing field for both federally- and provincially-regulated trucking companies in the supply chain. Unfortunately, until electronic logging devices (ELDs) come into full effect across Canada for provincially regulated carriers as well, some carriers who still use outdated paper logbooks allowed under the current provincial regulations can continue to falsify them – or in some cases, duplicate or have them go missing altogether – making it difficult, and sometimes nearly impossible, for roadside inspectors to detect non-compliance.

Impact: The Canadian HOS regulations, rewritten in 2005 and based on extensive fatigue science, restrict hours of work and provide adequate time for daily and weekly rest. Provinces and territories adopt the federal regulations by reference or duplicate them in their own regulations. While the vast majority of carriers and drivers abide by the hours of service rules, Transport Canada estimates that 5 to 10% percent of truck drivers routinely exceed hours of service limits. By exceeding hours of service limits, these drivers and carriers are providing additional services to the supply chain that does not take into full account the cost of compliance and can therefore distort the cost of the services they offer the supply

chain.

Approximately 25% of the Canadian HOS convictions captured for the ELD Regulatory Impact Analysis statement conducted by Transport Canada for their ELD regulation announced in June 2019 are for exceeding the maximum hours prescribed by the rules; while another 11% are convictions for operating two daily logs at the same time or for falsifying the information in the daily log. Approximately 48% of the HOS convictions are for failing to maintain or failing to produce a daily log, which is widely recognized by law enforcement as a strong indicator the driver may have been breaking the rules or planned to do so in the future. According to the American Transportation Research Institutes 2018 Report on Predicting Truck Crash Involvement, truck drivers with an hours of service violation are 50% more likely to be involved in a collision. Drivers with false logbooks or no logbook for instance are 45% more likely to be involved in a collision than those drivers who comply with the regulations. Average costs associated with collisions can be broken down as follows (US dollars) – property damage $20, 917, injury $270,222 and fatal $4,988,379.

Solution: CTA believes Transport Canada's intentions to implement ELDs (which CTA fully supports and has been advocating for since the mid 2000's) for federally-regulated carriers will reduce fatigue and distraction- related crashes while also harmonizing with U.S. requirements (ELDs took effect there in Dec. 2017), leveling the playing field for law-abiding carriers, and also improving quality of life for drivers by increasing opportunity for recuperative rest and eliminating supply chain pressure to circumvent hours of service rules.

CTA implores the federal government now we have a compliance date for federally regulated carriers in June 2021 to work with its provincial counterparts not to delay implementation of an ELD rule for all provincially-regulated carriers as well. By doing this, fair competition based on service can be restored with economic growth throughout the supply chain based on solid a foundation of regulatory compliance.

Issue: Motor Vehicle Transport Act and Driver/Carrier Oversight

The motor vehicle transport act (MVTA) requires provinces / territories to monitor the activities of their domiciled trucking companies in Canada. Those jurisdictions are also responsible for administering sanctions against those carriers based on their safety performance record from across Canada.

The National Safety Code Standards for trucking company oversight were developed by the Canadian Council of Motor Transport Administrators to assist in the designing of safety regimes with a level of consistency across all jurisdictions.

The NSC standards are merely guidance documents for how a jurisdiction should set up its

commercial driver and carrier oversight regime. Jurisdictions are not obligated to follow them, and, in fact, many jurisdictions deviate from the standards dealing with carrier profiles, safety rating and facility audit.

Impact: By forcing jurisdictions to follow MVTA but providing no obligation for them to follow the NSC standards leads to a host of inconsistencies from jurisdiction to jurisdiction.

Examples include:

- The NSC standard states that events accrued to a carrier's profile should remain on the record for two years, so a two-year compliance window can be monitored. Many jurisdictions have reduced that window to a year, but not all have. The challenge is to determine whether the deviations have an actual impact on safety (something CTA has asked CCMTA to address).
- From a level playing field perspective carriers based in one jurisdiction where there are significant deviations from the standard or where oversight/enforcement is less stringent have an advantage over those in jurisdictions with more rigid regimes.
- The MVTA requires monitoring of all trucking companies operating in their jurisdiction. Without enforcement of the MVTA or accountability, only two of the 13 jurisdictions monitor US carriers. This gives US companies complete immunity from any sanctions or penalties based on their safety performance.
- From a business standpoint, carriers with good safety records have access to certain programs that other carriers do not. If safety record determination is less stringent in one jurisdiction vs. another it can have an impact on getting access to certain programs.

Solution: The immediate solution is to determine if the carrier monitoring systems as they currently exist are able to properly monitor and rate trucking companies. Once the results are available, then a determination can be made whether changes within the national safety code are necessary or whether it would make more sense to develop one national system as in the United States.

In addition, an incentive must be provided to the jurisdictions to adhere by the MVTA and that accountability to the NSC is required.

Regulatory Experimentation: Outside of Ontario and Quebec, jurisdictions do not monitor or rate the activities of US carriers operating in Canada. This acceptably impacts competitiveness. Ontario has offered to assist those jurisdictions in monitoring US carriers and has a system robust enough to do so. Further discussions with Ontario are warranted to

initiate this effort.

Finance

Issue: Driver Inc.

Known as 'Driver Inc', a number of drivers and carriers are entering into agreements incorporating themselves. It's important to note these drivers are not traditional independent contractors (known as owner-operators) as they do not own, lease or operate a vehicle. Instead they drive the carrier's vehicles and are virtually indistinguishable from an 'employee'. This is a competitiveness issue that hampers law-abiding companies from growing their own business opportunities.

If the Driver Inc. issue is not addressed now, CTA believes this will be the predominant practice in our industry within two years. Even carriers who currently oppose the Driver Inc. model will soon be forced into adopting it to remain competitive.

Impact: 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. In total, depending on the driver's income, these payments from both the employee and employer represents between $12,000 and $15,000 per driver. To reach $75 million per year, we conservatively estimate it would take only 5000 misclassified drivers (less than 2% of the total driver population). If just 25% of the total driver population participated in the Driver Inc model, it would result in at least $1.12 billion in tax and other revenue leakages for the government. Companies participating in this activity are unfairly able to use those tax avoidance savings to pay more for drivers and attract them away from legitimate operations. By the same token, they are also able to manipulate costing models offered to the supply chain to obtain more business for themselves.

Solution: If continued unchecked, CTA expects the entire industry will rapidly move to this model given the competitive savings. In response, CTA suggests Employment and Social Development Canada (ESDC) and the Canada Revenue Agency (CRA) make a concerted and coordinated effort to step up enforcement and ensure carriers and drivers are adhering to their responsibilities under the labour and tax codes.

Issue: Excise Tax Rebate

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.

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

Solution: 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. CTA is seeking a reversal of this policy to support the trucking industry as it prepares for Phase II GHG regulations.

Relatedly, CTA requested that government explain how the trucking industry is to manage and administer its responsibilities under the carbon pricing regime in any so-called 'backstop jurisdiction'. The industry wishes to avoid a patchwork system that is administratively burdensome on industry. The trucking industry needs further guidance on this issue.

Issue: Extending the Accelerated Investment Initiative (AII)

Under the newly created Accelerated Investment Initiative (AII), 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. This change was lauded by the industry. However, there remain a few areas improvements could be made.

Impact: 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 is a positive step. However, with the initiative only set to run for a limited amount of time, it is now clear the AII needs to be extended. Likewise, the exclusion of key equipment such as trailers is handcuffing the true impact this initiative could have.

Solution: With this initiative set to be phased out in 2024, it is clear this program will need to be extended. Likewise, as it currently stands, trailers do not qualify. Extending the AII and including trailers would go a long way towards helping our industry make the investments it needs and to help bring the most fuel efficient and green technology to our roadways at an accelerated pace.

Issue: Carbon Pricing and Backstop Jurisdictions

Diesel fuel is either the first or second leading operating cost for a trucking company. Reducing fuel use, therefore, is not only beneficial for the environment, it's also how trucking companies can be more competitive. Consequently, CTA is not inherently opposed to a carbon pricing regime that is based on certain principles. These include:

- It is revenue neutral, with revenues raised being reinvested back into industry to accelerate investment and industry adoption of environmental solutions.
- The system is easily understood and transparent.
- It is coordinated on a national and international (Canada-US) basis to avoid competitive disparities.
- It is easy and efficient to administer.
- Ensures equity between the freight carrying modes.

Based on these principles, CTA voiced strong concerns in response to the federal carbon pricing strategy. Many concerns still remain.

Impact: The industry is not homogeneous in its fuel usage and purchasing patterns, as a baseline, a $0.13 – 0.14 / litre ($50/ tonne) increase in diesel fuel would equate to over $10,000 a year in added costs, per truck, for a carrier operating the bulk of its miles in Canada. For a medium-sized fleet of 100 trucks, this would be approximately $1 million in added cost per year. In total, the trucking industry is currently generating a sizeable amount of revenue for the federal government with little being return to the industry. CTA has from the start also been concerned that the Canadian trucking industry's foreign competition (trucks from the US operating on Canadian roadways) have not registered and are being handed a distinct advantage while competing on our own roadways with Canadian companies.

Solution: As it stands, the trucking industry is only receiving a small proportion of the revue it is generating for the federal government. The industry is desperate to see more meaningful programs implemented to help spur investment in greener technology. To see the revenue our industry is generating, invested in a meaningful way back into our industry. CTA would like to see an environmental program for the trucking industry established, which is funded through the industry's carbon tax payments.

CTA would like to see the government develop a credible way to ensure that foreign carriers operating in Canada are paying their fair share. This could include, for example, a check at the Canada-US border, or the issuance of decals for US trucks operating in Canada.

Technology and Infrastructure

Issue: Investment in Border IT Infrastructure

Last year our members experienced serious issues with the processing and release of cross-border goods as a result of technical issues and outages related to the Canada Border Services Agency's IT system. With e-commerce growing exponentially each year, the hardware that supports this electronic system requires major upgrades to meet the demands of today's cross-border trade and to eventuate automate paper processing. These issues have created supply chain inefficiencies that also limit the industry's ability to take advantage of modernized programs and pilots, which can potentially save the supply chain valuable time and money. Modern, secure and efficient IT systems is imperative for our country to maintain its global competitiveness.

Impact: System crashes can slow border trade down to a trickle, costing Canadian businesses millions of dollars in lost productivity. While CBSA staff have done their best to continue facilitating trade during these occasions, without the portal/EDI systems they are given an impossible task.

Through a survey, CTA members estimated CBSA systems had experienced outages or significant delays nearly 30 times over 30 separate days during the spring last year, for a total of at least 80 hours of downtime. With approximately 915 trucks crossing into Canada per hour, the projected cost to industry can be about $302,000/h or upwards of $100,000,000 a year in driver wait time, overtime, bond costs, etc. These costs do not include damage the supply chain, the ability to meet service standards, and the aggravation of truck drivers and trade chain partners involved with the movement of cross-border goods.

In addition, paper-based processing should also be obsolete because it is administratively burdensome, inefficient, and a waste of limited resources for both industry and government. There is little reason to require paper processing with wireless technology so easily accessible and cost effective.

Solution: This issue can be resolved by investing capital in the CBSA IT systems and additional staffing, which can work to move goods across the border more quickly when electronic systems fail. We realize the funding required to upgrade these outdated systems is significant. However, such an investment is dwarfed by the immediate and long-term damage the economy will suffer when outages occur or when paper processes are not automated.

Issue: Advanced Driver Assistance Systems

The foundation of autonomous vehicles is based on Advanced Driver Assistance Systems (ADAS), which can include such things as forward collision warning, automatic emergency braking, lane departure warning and pedestrian/cyclist detection. These systems are designed to complement the driver's existing skill sets and responsibilities when operating a truck.

Media hype of driver less trucks on our highways in the next few years is far from reality. Rather than replace professional truck drivers, ADAS systems will enhance a driver's professional abilities. While drivers will always play a vital role in freight transportation, it would be helpful if the regulatory environment could keep pace by increasing the mandatory use of proven safety technologies. Anything done to stimulate market penetration of these systems will undoubtedly improve road safety. It's also important we identify which technologies are suitable for Canadian operating conditions and proven to function as designed on Canadian highways and weather.

Impact: The current regulatory environment does not prohibit the use of these technologies, but without mandates, the full safety benefits to truck drivers and the traveling public are not being realized. As an example, preliminary data and analysis from manufacturers and carriers indicates certain ADAS systems can potentially reduce rear-end collisions 87%, specifically, and as high as 95%-reduction in the severity of all crashes.

Solution: Conduct research and testing to determine which systems can be used most effectively in Canadian environments and move forward with regulatory developments to adopt these technologies on new vehicles and on existing vehicles where feasible. Technologies that address distracted driving in a non-intrusive (sensors vs. driver facing cameras) as well as systems that will assist with pedestrian and cyclist detection also need to be included in the work plan going forward.

Issue: Dedication of Excise Tax Revenues to Truck Parking

Access to truck parking and rest areas in Canada so that commercial drivers can take mandatory rest when on the road has been a longstanding issue. In order to support economic growth, truck access to communities is essential and further federal investment needs to be directed towards assisting in easing the truck parking shortage. Currently, excise tax collected on diesel fuel (estimated at close to $1 billion annually) from the commercial transport sector is not funneled to a dedicated infrastructure fund for reinvestment.

Impact: Lifestyle of over-the-road truck drivers is one of the major factors in the critical driver shortage. Drivers are required to adhere to hours of service limits requiring them to stop and rest for specified periods each day, but there are limited places to stop safely and legally. These competing forces further detract from the attractiveness of the occupation. Because the hours-of-service limits are based on fatigue science, the importance of rest is

critical to highway safety. In its Gazette I notice on electronic logging devices; Transport Canada recognized the internationally accepted fact that about 15-20% of truck-involved collisions can be attributed to some type of fatigue. The average cost for truck collisions according to the American Transportation Research Institute indicates the following (figures in US dollars): property damage only $20,917, personal injury $270,222 and fatal $4,988,379.

Solution: Transport Canada and Revenue Canada should work together to dedicate excise tax collected on diesel toward a sustained effort to address the truck parking shortage. Consultation with the provinces and territories is critical to determine the locations on the national highway network where there is an acute shortage of truck parking. With $1 billion available annually, it would not take long for this initiative to have a meaningful impact on truck parking capacity. Adequate parking and providing the basic necessities for truck drivers who keep the economy going will pay off in the long run in the form of industry growth by improving the recruitment and retention levels of drivers into the industry.