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## Call to Action! Transport Canada Supply Chain Engagement

Dear WRLA Members,

March 9, 2022

The WRLA is invited to participate in a stakeholder engagement discussion on Friday March 11<sup>th</sup> as a follow-up to Transport Canada's Supply Chain Summit kick-off meeting that took place January 31, 2022. This Summit brought together business and transportation leaders for a candid and collaborative discussion on the key challenges and opportunities facing Canada's supply chains and the actions and strategies required to support a robust economic recovery.

The principal goals of this engagement are to:

- Identify the key challenges and gaps that need to be addressed to build more efficient and resilient transportation systems to support our national supply chains;
- Identify priority areas of work to address those gaps; and
- Outline the key next steps.

For this particular roundtable, the government is seeking impartial, creative, and constructive advice from transportation and industry leaders supply chains challenges and opportunities in the Innovation sector.

In preparation for this meeting the WRLA is continuing to collect information from membership to ensure that our industry member's challenges and potential solutions are considered. Attached is document outlining challenges addressed to us by members and asks for government. The draft is included as an appendix to this memo and will be updated post survey engagement with new information.

Our sector has been under considerable strain given a perfect storm of complexities, from mandatory vaccination for transport drivers, driver shortages, freight cost appreciation, sea port bottlenecks, catastrophic storm events, surging fuel costs and a scarcity of rail cars. It is vitally important that we provide as much feedback as possible, so that this sector's input can be taken into consideration by decision-makers.

To help us prepare we ask for the following survey to be completed [here](#).

If you have any further questions or comments, please feel free to reach out to Liz at 204.770.2416 or [lkovach@wrla.org](mailto:lkovach@wrla.org)

Thank you in advance for your engagement and contributions.

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## **Appendix**

### CANADA'S SUPPLY CHAIN DISRUPTION

*Prepared by Prospectus Associates*

Similar to other sectors, the supply chain bottleneck being experienced throughout North America is having a detrimental impact upon WRLA member businesses, by driving up costs across the board. This phenomenon, coupled with labour shortages, pose significant challenges for the retail lumber industry, and those who depend on it.

2021 was an extremely challenging year from a supply chain perspective. Demand surged and far exceeded forecasts and worldwide manufacturing capacity. Worldwide freight carriers were overwhelmed with demand resulting in unprecedented freight cost appreciation and a severe reduction in service ability. Sea ports experienced major bottlenecks. Lead times stretched from three months to between six-to-eight forcing distribution to allocate inventories. COVID-19 severely impacted the labour force around the world putting yet more pressure on an already strained supply chain. Inflation was prevalent in every aspect of procurement, production, and distribution.

The mandatory vaccination policy for truck drivers, along with an existing driver shortage, are additional irritants at the worst possible time.

Increased cost pressures resulting from stymied supply chains increase the price of most everything. In this sector, it can be seen acutely in the cost of building materials, which hamper an already strained housing market, by limiting Canadians' options either for new builds, or to simply purchase a home.

The ripple effect in the economy is staggering.

This supply constraint will be one of the most impactful events of 2022, unless focused action is taken by the federal and provincial governments.

In December, numerous business associations, representing a cross-section of the Canadian economy, including the WRLA, issued a joint statement on supply chain bottlenecks. The three messages delivered are found below, along with additional context:

- *We call on the government to delay the deadline for mandatory vaccination and work with businesses to find a revised timeline that minimizes supply chain impacts.*
  - (While this policy is unfortunately now in effect, we call upon leaders in Ottawa and Washington to work together to rescind this policy, for drivers from both countries, so that we can find a solution. Having said this, we strongly encourage every driver, and every Canadian, to be vaccinated.)
- *We call on the government to establish a joint task force with business leaders to identify and implement solutions that can increase supply chain resilience.*
  - (*The roundtable with Transport Canada is an important first step, and one that we hope will be just the beginning of government and business collaboration.*)
- *We call on the government to delay the implementation of any non-essential regulations that would strain the supply chain.*

In its 2021 election platform, the Trudeau government articulated the need to build a more resilient economy and noted the following: "It's about securing our ability to harness the resources we have in Canada to drive clean growth around the world and securing our own supply chains in critical goods and services."

According to Stephen Laskowski, President of the Canadian Trucking Alliance, roughly 18,000 truck driving roles will need to be filled in Canada by March of 2022. Lawkowski was blunt in his analysis, ““This is a national issue and potentially becoming a national crisis,”<sup>1</sup>

Shortages are not confined to Canada, with a Tread Logistics transportation market update forecasting that the United States will face a shortage of approximately 250,000 drivers in 2022, “...a problem exacerbated by increasingly stringent safety regulations that require more experienced and better-paid drivers.”<sup>2</sup>

WRLA members have indicated the severe impediments shippers are facing due to the vaccine mandate for truckers, and the shortage of drivers in that sector. For example, one member company works with a dependable carrier which has gone from 30 drivers down to a mere six. That same firm is now only able to ship only three tractor trailer loads per week, even though there are 24 loads worth of product stranded on-site. In the event that replacement drivers can be found, approximately 45% is added to the ordinary cost.

Truck drivers are limited in time they can drive, the highway situation in BC means trucks are not moving far. The road repairs have drivers moving 40KM per hour on a normally 110KM speed limit. With the time limits drivers can travel, added delays means that product is delivered late and snowballs from there. The Coquihalla highway was an issue before the floods.<sup>3</sup>

Cedar that would normally be delivered by truck is not moving. In one WRLA member’s experience, of 20 loads anticipated, only two have arrived, leading the member to contemplate rail as an alternative. This option is more expensive, therefore eroding profitability.

Hardware fill rates have dropped to approximately 50-55%, resulting in less product for retailers, and customer orders being declined. Pallets have a value of approximately \$120,000. In one instance, Alberta had six pallets turned around at the border. While this is one anecdote, it highlights the constraints being experienced. If an average were drawn from this example, by province and by week, it would result in 2.9 million in product.

The combined value of windows and doors in Canada is between \$750,000 million and \$1 billion. Numerous manufacturers PVC, glass, and fiberglass from American suppliers. Some glass is imported from Asia, resulting in additional delays and freight costs. Premium service is available, resulting in goods being acquired by the higher bidder, which encompasses numerous products produced abroad. With raw materials increasing from 18 to 22 percent, plus labour costs, profitability becomes more difficult to attain.

One WRLA member pointed to the lack of availability of aluminum. In this situation, aluminum is delayed between one-to-two months from the United States, which has been the routine delay for since late 2020.

Rail challenges have added to the delays as very cold weather impacts the ability for rail to operate at higher volume levels. CN’s winter plan is available for review by clicking [here](#) should you be interested in more information. We are also working directly with CN to understand why rail cars are not being supplied to fulfill contractual agreements to producers. We are hearing reports that rail cars are being auctioned while contractual agreements are not being met. The concern here is that this practice is in violation of National Transportation Policy which is available [here](#). We are working to understand this issue but the government needs to be aware of this issue. Lumber is ESSENTIAL to our country and requires reliable transportation.

Housing affordability is directly impacted by inflation. This exacerbates an already hot housing market which is making home ownership, and in many cases rental units, unaffordable for many Canadians.

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<sup>1</sup> [Canadian trucking industry grapples with driver shortages: ‘This is a national issue’ | Globalnews.ca](#)

<sup>2</sup> Is there a web-link or other source I can use, aside from the email to Liz?

<sup>3</sup> <https://news.gov.bc.ca/releases/2022TRAN0002-000070>

According to the Royal LePage Market Survey Forecast, the aggregate price of a home in Canada is set to rise 10.5 per cent year-over-year to \$859,700 in 2022, with the median price of a single-family detached property and condominium projected to increase 11.0 per cent and 8.0 per cent to \$918,000 and \$594,000, respectively.<sup>4</sup>

Now, more than ever, is the time for federal and provincial government, business and stakeholder collaboration to solve these substantial challenges. The viability of business, the availability of products and services, and the general well-being of Canadians are concerns that must be taken seriously to ensure a robust economic recovery.

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<sup>4</sup> <https://blog.royallepage.ca/royal-lepage-forecasts-double-digit-home-price-growth-in-canada-in-2022/>