



Canadian Trucking Alliance

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The Canadian Trucking Alliance is a federation of the seven Canadian provincial trucking associations representing approximately 4,500 motor carriers and is dedicated to serving the national and international interests of Canadian motor carriers.

NEWS RELEASE

Trucking Chief says 'Bring on 2009'

Shippers should consider locking in capacity now in anticipation of recovery

It may take the better part of 2009, at least, for the North American economy to stabilize and begin to recover. But according to the CEO of the Canadian Trucking Alliance, David Bradley, when it does, the demand for trucking services will likely outweigh the supply. At that point, truck rates, which have been hammered during the past 18 months, will be under upward pressure again.

"It's been a tough year for everyone, motor carriers and shippers, and this has resulted in downward pressure on freight rates in 2008. But shippers would be advised to partner with carriers now to lock-in capacity for when things do inevitably start to come back, which we hope will be sometime in 2009," he said. "Some shippers get it and are now entering into multiyear agreements with carriers."

The major problem facing truckers over the past year, or more, has been one of over-capacity – too many trucks for the level of freight being generated by the economy. "Most carriers experienced softer freight demand in 2008, though some sectors of the industry and some regions of the country have, like the economy, been harder hit," he said. "It doesn't matter where you operate, all carriers faced a major challenge this year with sky-rocketing diesel fuel prices and a slowing economy. Obviously, the appreciation in the value of the Canadian dollar and slump in the US economy continued to have a profound negative impact on the Central Canadian economies and therefore on the volume of freight, especially in southbound freight to the US which had been the underpinning of industry growth for the past 20 years." In many traffic lanes, both international and domestic, there were simply too many trucks chasing the freight.

However, according to Bradley, the trucking industry across North America has been shedding capacity. "Carriers have been reducing their fleet sizes, getting rid of trucks and not buying new ones. Many trucking companies have left the market; either because they decided they'd had enough, or they couldn't get sufficient credit and/or they went bankrupt. Tighter credit has also made it more difficult for people to enter the marketplace. While there will continue to be tough sledding in 2009 – reflecting current global economic concerns and, as always, punctuated

by a chronic long-term labour shortage – capacity of trucking services will be that much lower when things do turn the corner,” he said.

One thing that Bradley hopes to see early in 2009 is a moderation in the volatility that has been a feature of currency and financial markets in the fourth quarter of 2008. “The modest depreciation of the Canadian dollar that we have seen this autumn is not unwelcome, but when a currency loses almost 20 per cent of its value over a period of weeks, then jumps back by 4 per cent in one day, it’s hard to run a business.”

Also welcome, is the softening in the price of diesel fuel over the past couple of months. “However,” says Bradley, “the price of diesel fuel is lower because the worldwide economy is on the brink of recession. The price of diesel fuel is still extremely high compared to where it was just a couple of years ago and is subject to wide fluctuation day-by-day. The industry still needs fuel surcharges.” He also says it is time for a serious discussion about refinery capacity and the security of supply of diesel fuel in Canada, alluding to the “bizarre situation” which occurred in oil-rich Western Canada in recent weeks where there was a protracted shortage of diesel fuel which left truckers scrambling to keep their trucks moving.

Despite all the problems faced by the trucking industry in 2008, Bradley says in many ways it was a successful year for the alliance. “CTA accomplished a lot this year; we restructured the organization to better allocate our resources to the things that the industry wants us to do and we strengthened the federation through a revitalized partnership with the provincial associations.” In addition, Bradley points to a number of regulatory/policy decisions and actions that CTA played a major role in bringing to fruition:

- Promise to Cut Federal Excise Tax on Diesel Fuel by 50% -- This was the first election promise made by the Harper Conservatives during the recent federal election and reflects CTA’s efforts to expose the inappropriate, and outdated, tax policy behind the taxation of a significant business input through excise taxes.
- Transport Canada EcoFreight Program -- This federal program made over \$3 million available to carriers for utilizing technologies endorsed in CTA’s *enviroTruck* initiative.
- Excise Tax Refunds for Heating/Cooling Systems -- CTA was able to secure refunds from the federal excise tax on fuel for motor carriers using refrigerated units and auxiliary power units (APU’s) through an exemption for heating and cooling services.
- PIP-CTPAT: US and Canadian officials agreed to mutual recognition of participants in each others programs; something CTA had been seeking for sometime, although there is still more work to do. In addition, CTA was able to secure a relaxation of a proposed PIP suspension/cancellation policy that would have been very draconian.

- **Anti-Replacement Worker Legislation:** CTA worked in concert with other federal employer groups to garner enough political support to successfully defeat anti-replacement worker bills from becoming law in the last Parliament.
- **Border Funding:** In the 2008 federal budget, an additional \$75 million over two years was made available for increased CBSA border resources and \$6 million over two years was made available to support provinces introducing enhanced drivers licences. CTA is one of a handful of groups who continue to ensure that the federal government maintains its focus on problems at the border and makes sure it has the resources in place to effectively manage the programs it does introduce.

"We have our work cut out for us in 2009, there are plenty of issues to keep CTA and our partners in the provincial associations busy. We will still have a minority government in Canada, with a new cabinet supposedly designed to deal more effectively with the economic challenges that confront the nation. It will be interesting to see how they manage the need for action on so many fronts (e.g., business input taxation, infrastructure investment) in the face of a very tight fiscal situation. There will be a new administration in the US and it will be interesting to see how it tackles trade and security issues, infrastructure financing, EOBRs, etc." Good thing that CTA likes a challenge.