



Canadian Trucking Alliance
Alliance Canadienne du Camionnage

REPORT TO THE INDUSTRY

C T A R E P O R T T O T H E I N D U S T R Y - W I N T E R 2 0 0 9

Over the past year, the Canadian Trucking Alliance advocated a wide range of innovative public policy solutions.

In the trade association business, clear victories are often elusive. Much of what we do as industry advocates is painstaking, grinding work – often behind the scenes – over months or even years and involved many partners in the association world (especially the provincial trucking associations), the carrier community, the broader business sector and within the public sector. Success can be difficult to measure, as it often consists of subtle or even obscure policy shifts by government that never get into the public domain. However, successful trade associations must put points on the board. And, in that regard CTA continues to be one of the most relevant and successful national lobby groups in the country. In 2008 and early 2009 CTA was able to influence and make a significant contribution to a number of key outcomes affecting the trucking industry and noticeably move the yardsticks on several others. This review provides a snapshot of this activity.

Taxation

Federal Excise Tax Refunds

CTA worked with the Canada Revenue Agency (CRA) to develop a new policy regarding federal excise tax on diesel fuel used to operate heating and cooling systems, microwaves, etc., in the cab of tractors. (These are technically referred to as “hotel services”). The new CRA policy came into effect on April 1, 2008 and provides carriers with the opportunity to receive refunds up to 100% of the excise tax on non-propulsion fuel as long as the carrier can show that more than 50% of that fuel was used for hotel service functions.

Promise to Cut Diesel Fuel Tax by 50%

It has been a long standing position of CTA that the federal excise tax on diesel fuel is regressive and should be repealed or reformed. During the 2008 federal election campaign, Stephen Harper promised he would cut the tax in half saving the industry \$140 million annually. CTA continues to pursue government in keeping this pre-election promise.

Restoration of 80% Meal Tax Deduction - Incremental Increases

In 2007, CTA spear-headed a campaign to restore the 80% deduction for meals for income tax purposes that had been reduced to 50% in 1994. The campaign was successful and in the 2007 federal budget it was announced that long-haul truckers would see the 80% deduction restored on an incremental basis between 2007 and 2010. In 2008, the deduction went to 65%. In 2009 it will rise to 70%; to 75% in 2010 and 80% after 2010. Trucking was the only sector to achieve this increased deduction.

Fuel, Energy Efficiency and the Environment

Financial Incentives for enviroTruck Technologies

CTA's enviroTruck initiative is a cohesive, practical approach to accelerating the acquisition of the new smog-free trucks AND proven technologies to reduce fuel consumption contributing to lower GHG emissions. CTA has proposed enviroTruck as a partnership between itself, the Government of Canada and manufacturers. In 2008



Transport Canada awarded funding totalling more than \$3 million to carriers for the purchase and report on the benefits of enviroTruck fuel efficiency technologies such as auxiliary power units, aerodynamic fairings and low rolling-resistance tires. CTA viewed this as a good start, but is seeking a more wide spread rebate program that would benefit more carriers. In addition, a growing list of provincial governments (e.g., British Columbia and Ontario) has introduced similar financial incentives and the Council of Energy Ministers will be studying this approach in 2009.

Biodiesel

The federal government has announced its intention to require two per cent renewable diesel fuel (B2) content in truck diesel no earlier than 2010 and no later than 2012. CTA has several

concerns about the federal mandate – e.g., fuel quality, cold weather operability, resulting fuel specifications when blended with ultra-low sulphur diesel fuel and potential impacts on post-2006 engines and warranties. CTA also sees no long-term air quality benefits associated with biodiesel given the advent of the smog-free truck. A pilot was conducted in 2008 examining the cold weather properties of biodiesel and their impact on Class 8 trucks. Preliminary results showed that, under very controlled conditions, biodiesel at B2 levels did not pose issues for Class 8 trucks. CTA has concerns that these tight controls cannot be simulated in the real world. CTA commissioned a report by energy consultants M.J. Ervin which identified several issues related to a biodiesel mandate and the distribution of on-road diesel fuel. This report is presently the source of significant questioning of the biodiesel mandate.

The Border

Customs Tariff Regarding US Based Trailers

A largely unknown and previously unenforced Canadian Customs Tariff came to light in 2008 and effectively prohibited Canadian carriers from bringing US-based trailers across the border in international traffic. Some carriers were forced to abandon longstanding practices of using Canadian tractors and drivers to bring US-based trailers and container chassis into Canada to deliver international goods. After hearing from CTA, CBSA suspended enforcement of the tariff pending an amendment to remove the prohibition against Canadian carriers. That amendment, which created a permanent fix, was contained in the 2009 federal budget and was passed into law in February 2009.

PIP and C-TPAT

In 2008 CTA worked with CBSA as they sought to bring Partners in Protection into line with the more stringent security requirements found in the US C-TPAT program. While the ultimate outcome fell short of expectations, a mutual recognition agreement was signed by the two governments. And, CTA's efforts brought about a very significant change to policies surrounding the suspension and cancellation of PIP status which would have driven many carriers out of the program.

Advanced Commercial Information (ACI)



Canada's version of electronic manifest will be introduced in 2009. Over the last year, CTA and CBSA have met regularly to discuss feedback from industry regarding the proposed policies and procedures that will define the process. Working closely with other interested industry partners, CTA has assisted in shaping the project in an effort to mitigate cost and operational impact to carriers, and other trading partners. As the consultative process continues, CTA will remain actively involved ensuring that the interests of carriers are represented.

Transportation Worker Identity Card (TWIC)

The US Department of Homeland Security (DHS) published the final rule for the TWIC program, which enhances port security by checking the backgrounds of workers before they are granted unescorted access to secure areas of vessels and maritime facilities. In general terms, the rule will require any individual seeking unescorted access to a secure area within a U.S. port to be security checked and to have a TWIC card. "Secure area" is broadly defined as encompassing any part of a

port property subject to access control measures. This deviates from the Canadian approach under which security checks are only required of individuals needing access to high security restricted areas within a port property, such as cruise ship terminals. Mandatory use of the card is required nation-wide by April 15, 2009; with each port required to give 90 days notice. While drivers will be required to obtain a TWIC card, DHS did adopt CTA's proposal that the security check conducted in order to obtain a FAST card will meet the requirements of the rule, saving drivers from having to be checked twice.

Western Hemisphere Travel Initiative (WHTI)

Under WHTI, as of June 2009, all persons (including US and Canadian citizens) traveling between the US and Canada by land or sea will be required to present a valid passport, or other secure document(s), as determined by the DHS. However, DHS and the State department did publish a final rule allowing that the FAST Driver Card will be accepted as a substitute for a passport under WHTI as suggested by CTA.

Proposed CBP Requirements for Liquid Residues

US Customs & Border Protection (CBP) issued a notice indicating that it plans to change the way it deals with chemical residues - and perhaps even trace amounts of liquid - being returned to the US in the bottom of tank trucks and in other re-useable containers. Under the proposal, carriers would no longer be able to simply manifest the containers and return them to the US as instruments of international trade (IIT's), but would instead be required to estimate the quantity left in the bottom of tanks, and have a broker value the commodity and prepare a formal customs entry. If implemented, this would have significant cost and operational impacts. CTA submitted comments to CBP calling for the agency to rescind the proposed rule and is awaiting the outcome.

Re-Positioning Empty Trailers

CTA worked with the American Trucking Associations (ATA) for greater flexibility when a foreign driver to re-position an empty foreign

trailer. Despite the fact that many within the US federal government see this as a common-sense measure, the outgoing Bush administration would not change the interpretation of the rules. However, things are set up for the next administration providing it is more receptive.

Transponder Renewal

Trucks crossing the border are required to pay fees to CBP either on a 'per crossing' basis or annually via transponder as most carriers who cross the border more than 20 times in a year prefer. In 2008, CBP introduced a new system for the procurement and renewal of transponders but due to technical difficulties, the system was delayed by several months, leaving 80,000 trucks without active transponders with less than one month before the year-end expiration date. Without renewed 2009 transponders, each truck crossing the border would be subject to the 'per crossing' fee, resulting in long delays as the payment transactions are processed and receipts issued. CTA, working closely with ATA, brought much needed attention to this potentially disastrous situation. CBP approved a contingency plan extending the life of the 2008 transponders until January 31st, 2009, exempting carriers from the 'per crossing' fee. Trucks able to provide proof that an application for a transponder has been submitted to CBP are also exempt from the 'per crossing' fee. CTA is monitoring the situation very closely in the event an extension to the contingency plan is required.

New Plant & Wood Product Declarations

An amendment to the US farm bill requires all goods containing any amount of plant and/or wood products entering the US to be accompanied by a declaration of genus, species and country of origin for each good, including the boxes goods are delivered in and the bags that drivers carry their lunches in could have created major problems at the US border. Customs brokers and importers would have to submit millions of declarations and if anything went wrong with the paperwork, the truck and driver would have to sit. During the official comment process, CTA asked USDA for (1) The ability to move freight that is not accompanied by a declaration inland and away

from the border; (2) Exceptions for goods moving under bond; and (3) Consideration for goods accompanying commercial drivers as personal effects as well as the prioritization for an electronic submission as opposed to paper declaration. USDA released a revised Federal Register Notice announcing amendments to the program in February 2009 and it contained all of CTA's recommendations.

Border Crossing Resources

The 2008 federal budget included an additional \$75 million over two years to increase CBSA's resources at the border. This is generally in line with CTA's repeated calls during pre-budget consultations for more efficient border processing. Whether \$75 million will be enough to make much of a difference remains to be seen. The government will also provide \$6 million over two years for federal activities to support provinces planning to introduce enhanced drivers licences, which would incorporate additional security features for recognition as a passport alternative at land borders.

Infrastructure

Federal Budget 2009

As part of the federal government's economic stimulus package, Budget 2009 included an unprecedented commitment of \$12 billion over the next two years to new and accelerated infrastructure funding including highways, roads, bridges and border crossings. In particular, a number of highway projects identified by CTA as priorities were targeted for funding.

Credit Availability

Unlocking Credit

In the 2009 federal budget, the government proposed to create a Canadian Secured Credit Facility, with up to \$12 billion to support financing of vehicles and equipment for consumers and businesses. While the devil is in the details, non-bank lenders have indicated that in principle this could be a helpful measure to unlock liquidity for fleet equipment purchases. In addition, the

government announced \$13 billion in additional financing by increasing the flexibility and capacities of the financial Crown corporations, the Canada Mortgage and Housing Corporation, Export Development Canada, and the Business Development Bank of Canada. This includes at least \$5 billion in new financing to be delivered through enhanced cooperation between these financial Crown corporations and private sector financial institutions under the new Business Credit Availability Program. It is also increasing the maximum eligible loan amount a small business can access under the Canada Small Business Financing Program.

Labour

Replacement Worker Legislation

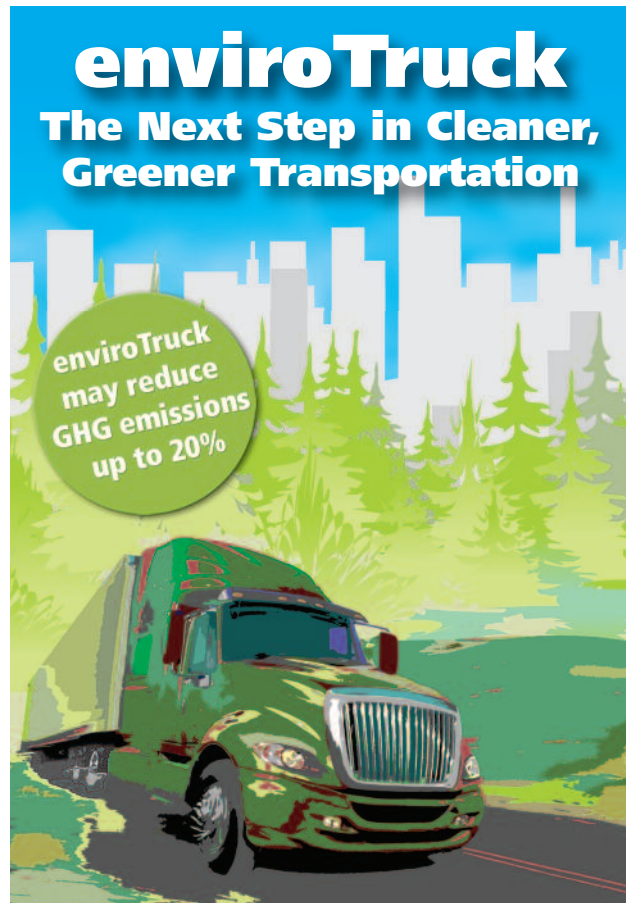
Again in 2008, a private members' bill was introduced in Parliament that would ban the use of replacement workers during a strike. As with previous bills, CTA and the provincial associations intervened directly with members of Parliament to oppose passage. As a result of these and other efforts from federal employers, the bill never came up for a second reading debate in the House of Commons, and died when the fall election was called. The possibility exists that a similar bill will come up again in the current session of Parliament. If so, CTA will once again marshal its resources in opposition.

National Occupational Classification (NOC)

CTA has felt for some time that the current occupational description used for truck drivers in determining standing for immigration to Canada in the NOC is well out of date, and seriously undervalues the high degree of skill and training required of today's truck driver. In late 2008, CTA was approached by the federal government to discuss the so-called NOC code for truck drivers. As of this writing, CTA has contributed written comments to the federal government, in concert with the Canadian Trucking Human Resources Council. In 2009, CTA expects to be further involved as a consultant, engaged by the federal government, to carry out a detailed study of the truck driver NOC code.

Media and Public Relations

On the communications front, CTA continued to enhance its media relations approach to better publicize policy and advocacy efforts. CTA reinforced its extensive network of US-based bureau chiefs and reporters covering international news of the Canadian media. Ensuring the voice of Canadian carriers is heard at home and abroad is a prime responsibility of CTA. The Alliance's CEO and other senior staff appear before hundreds of audiences including parliamentary and senate committees, international trade organizations, as well as shipper, carrier and supplier groups on both sides of the border to address issues of key industry importance. Also, in 2008 CTA produced a short video 'Truckers are on the Road to a Cleaner Environment' showcasing the environmental and economic benefits of enviroTruck. The production was released to media organizations across the country in b-roll format (raw footage) for use by TV news rooms. The piece was released in conjunction with National Trucking Week (which provides a platform to promote positive news stories about the trucking industry) in September. In 2009, National Trucking Week will be held September 6 – 13.



www.cantruck.ca



The Canadian Trucking Alliance is a federation of provincial trucking associations. We represent a broad cross-section of the trucking industry - some 4,500 carriers, owner-operators and industry suppliers. With our head office in Toronto, an operating office in Ottawa, and provincial association offices in Vancouver, Calgary, Regina, Winnipeg, Montreal and Moncton, CTA represents the industry's viewpoint on national and international policy, regulatory and legislative issues that affect trucking.

CTA is a federation of Canada's provincial trucking associations:

