

Supply Chain Management:

Driving Our Economy Forward: Supporting The Trucking Industry To Mitigate Supply Chain Issues

Description:

Canada, already facing rising inflation and critical supply chain issues, is forecasted to be short more than 17,000 Class 1A truck drivers in 2023. This is causing both long-term damages to the trucking industry and inhibiting the ability of supply chains to resume their normal operations. The shortage is further exacerbated by the inconsistency of truck driving entry requirements for new immigrants across provinces. As a 'sector that all other sectors rely on' for their supply and distribution needs, it is imperative to strengthen and support the trucking sector to address the nationwide supply chain challenge.

Background:

The commercial trucking industry is a crucial component of the nation's supply chain, with 90 percent of Canada's 72.9 million freight shipments being carried on trucks¹, . Consumers from all over Canada rely heavily on the movement of freight trucks to provide them with the necessities of daily life. In fact, 90 percent of all consumer goods in Canada are shipped by truck², .

And businesses too, could not succeed without a robust trucking network. The top five commodities trucked by weight are minerals, general freight, fuel oils and crude petroleum, forest products, and base metals and articles of base metals³, . Combined, these commodities accounted for over two-thirds (71%) of the total tonnage moved by truck in 2017⁴, .

The value of interprovincial trade, which totaled \$166 billion in 2019⁵, is at serious risk and the shortage of Class 1A drivers will dramatically affect our ability to trade internationally, too. The US-Canada trade relationship is the second largest in the world and 60 percent of it is done through trucking⁶, .

But the trucking industry is facing a crisis that will only worsen in the coming years.

Across the country, bus and truck companies are struggling to fill vacancies, and this is on top of the imminent wave of retirements the industry is facing⁷, . To keep up with current demand alone, Canada needs 17,200 new truck drivers every year up until 2025⁸, .

Those drivers that remain in the industry are aging. The average driver age increased 3.7 years between 1996 and 2006, while the average increase was two years across all occupations⁹, . Three percent of all truck drivers were aged 65 or older in 2006 demonstrating that some of the "new" supply of drivers has actually come from current drivers who have delayed their retirement¹⁰, . And there are no young drivers to replace them. Workers under 25 made up 14 percent of workers across all industries, although this share dropped to just 7 percent in the transportation and warehousing sector according to the 2016 Census¹¹, .

Women, especially, are underrepresented in this important occupation and represent a crucial recruitment pool. Despite being 47 percent of Canada's workforce, barely 3.5 percent of Canada's 300,000 truck drivers are women. Hone into the 181,000 tractor-trailer drivers who work specifically for trucking operations, excluding drivers like those who operate medium-duty trucks or consider themselves part of another sector like construction, and the National Household Survey puts the share closer to 3 percent¹², .

Immigrants to Canada too, represent a strong pool for recruitment. On average, fewer immigrants—about 3 percent less—have been attracted to working as truck drivers, compared with the total labour force. This is likely because of the current, inconsistent approach for truck driving requirements across the

country which creates unnecessary hurdles for applicants, especially new immigrants, including different skill and entry requirements in different provinces. While several of the provincial nominee programs provide pathways for foreign truck drivers to enter the workforce, programs requirements vary depending on the province.

For example, Ontario classifies truck drivers as skilled workers, which enables foreign truck drivers to access permanent residency. Conversely, Saskatchewan and British Columbia classify truck drivers as semi-skilled workers, meaning that they only become eligible for permanent residency after they have worked on a temporary visa. The current system allows provincial governments to set standards in an area of federal jurisdiction, contributing in part to a national shortage.

Until the pool of potential candidates is greatly increased, recruitment costs will remain a major barrier to employers. The cost of recruiting drivers “disproportionately” affects small business, with job vacancies costing firms with revenues below \$1 million an average of 24.5 percent of sales, compared to the 7.4 percent for businesses with sales exceeding \$50 million¹³, .

And, while insurance costs are always a significant cost for trucking companies, they present additional challenges in hiring new drivers. Many companies are in a position where their insurance provider will not insure inexperienced drivers without considerable extra cost; as a result, this means that companies that can find new commercially licensed graduates may not be able to give them jobs¹⁴.

Mentorship, the pairing of more experienced drivers with new operators, and on the job mentoring while in the yard or classroom, would provide new drivers with the support they need in a real- world setting to become the safest drivers possible. Making these drivers safer should reduce the cost of insuring these new drivers over the long term.

The recruitment, training, and lowering of insurance costs associated with new drivers will ensure the trucking industry that our nation relies on will remain robust and efficient and will allow our economy to recover and grow. Without help, supply chains will remain squeezed, resulting in increased product cost, delays in getting products to market, and ultimately, rising inflation.

Recommendations:

That the Government of Canada:

1. Classify Class 1A truck driving as a skilled trade Occupation under the National Occupational Classification matrix.
2. Standardize the requirements for truck drivers to be eligible to work in Canada. This should include a decision on either streamlining or removing the Labour Market Impact Assessment. The end goal has to be a recognized employer program that produces real benefits and a proper path to permanent residency and to help fast-track qualified foreign truck drivers' immigration applications amongst those who have MELT or equivalent training.
3. Support a mentorship program to allow new drivers to acquire real-world experience and increase road safety.
4. Commit more funding to promoting truck driving as a career option amongst women.
5. Offer employers financial support to create and maintain women-to-women mentoring and require employers to provide mandatory safety and inclusion training.

6. Include Class 1A driver training from recognized education facilities in student loans to allow students to take training and afford living expenses.

Supporting Ontario's Supply Chain by Establishing a Focal Point Within the Provincial Government and Investing in the Manufacturing Workforce

Submitted by: the Vaughan Chamber of Commerce and the Newmarket Chamber of Commerce

Issue

The supply chain in Ontario lacks sufficient direction and planning to operate a modern and secure supply chain despite the high demand present in the manufacturing sector.

Background

The manufacturing industry faced immediate impact when COVID-19 hit and Canada launched its lockdown measures at all levels of government. In particular, 72% stated their company's supply chains are being disrupted by COVID-19¹². They are experiencing workforce impacts, supply shortages, reduced access to PPE, project shutdowns, unplanned spending, and layoffs. As the pandemic and lockdown measures continue to hit Ontario, manufacturers face high demand with virtually no supply readiness and reliable government support.

At the same time, the manufacturing sector has been experiencing delays in receiving inbound containers, and dealing with increased global shipping costs up to 50-80%. Although some manufacturers turned to airfreight to access critical components that were produced offshore, the airfreight capacity constraints and expensive costs did not withstand the continuation of this solution.¹³

With the impacts of the lockdowns and long global supply chains for many manufacturing components, York Region manufacturers face countless challenges, with many forced to rethink production and supply in order to survive. The Government of Ontario recognized the benefit of this support by announcing the Supply Chain Management Act in the beginning of the pandemic, to make sure the demand for crucial suppliers are visible and trackable¹⁴. The regulations allowed the collection of key data on inventories, orders and supply constraints, and the development of a virtual inventory tool.

The launch of this act and Ontario Together, a new website that is bridging some gaps between the private and public sector, showcases the potential steps necessary to protect the province's supply chain and make sure businesses have the support they need. Notwithstanding the steps to protect the province's supply chain and make sure the front lines have the essential goods and services, this strategy needs to be developed beyond its capacities by fully executing a solution for all sectors impacted by the supply chain issues.

Similarly, with respect to advancing the coordination of all regulation, this can also mean providing the manufacturing sector with a strategy that provides investments in tech operations, nearshoring opportunities, and reskilling and upskilling in the workforce. Reshoring the manufacturing sector has popular interest. However, offshoring has introduced cheaper labour and environmental standards offered in the global market. Since the 1980s, Canadian manufacturing has been significantly declining and many manufacturers have benefited from high profit margins.

For Ontario, the real challenges are in responding and recovering from the risky supply chain, and increasing its global competitiveness. By responding to protectionist policies, tech advancements, the need to upskill and

reskill, York Region could become a provincial hub for advanced manufacturing and prepare for the unexpected global market.¹⁵ The provincial government must support career pathways programs to connect young people to the endless career options in supply chain. For businesses to respond quickly and effectively to the supply chain issues, building skills will be important for the supply chain to recover.

The provincial government needs to consider the necessary steps to invest in technology and people, in order for companies to operate and produce, while being competitive in the economy. Developing a modernized strategy is vital for the manufacturing sector. The government should coordinate and oversee the regulations that manage the supply chain, and establish specific measures that address reduction from financial harm and lessen barriers from major global disruptions. This proactive approach can make it faster to respond to global markets and interprovincial transportation networks¹⁶.

Recommendations

The Ontario Chamber of Commerce calls on the Government of Ontario to:

1. Implement a supply chain department within the provincial government tasked with the coordination and oversight of all regulations that directly manages the efficiency of the supply chain.
2. Invest in educational programs aimed toward future economic activity to introduce students to the importance of supply chain to our economy, and to the many career opportunities that exist in logistics, data protection, risk management to support security against cybercrime, customs brokerage, distribution, and sea, air and land transportation.
3. Develop a two-year pilot project to provide funding and resources to encourage greater research and development in the areas of supply chain logistics, and the safe adoption of cutting-edge technologies. Sufficient use of technologies will be vital to support a resilient supply chain that is increasingly digitized and vulnerable to cyber attacks in hardware, services, or software from third-party providers.
4. Work with businesses to explore opportunities for nearshoring and investments in supply chain resilience.