

Major Issues 2020 – Outlook 2021

The primary role of the Freight Management Association of Canada (FMA) is government relations on behalf of the buyers of freight transportation. FMA has contact with all levels of government in Canada, various agencies of the U.S. government and with United Nations agencies and other international bodies. Current issues in 2020 that FMA has been following are shown below, along with emerging issues expected in 2021.

Issues 2020

All Modes

1. COVID-19 Economic Disruptions
2. COVID-19 Supply Chain Impacts

Air Cargo

1. E-Commerce – eliminating paper documentation
2. Carbon reduction initiatives
3. Passenger flight cancellations – reduced freight capacity

Marine Freight

1. Future of Shipping conferences – Legal cartels
2. Shipping alliances & Mega-ships - impact on shippers.
3. Container Decontamination – Control of invasive species
4. Port of Montreal Strike -
5. Trans-Pacific Capacity, Rates changes, container shortages for exports

Rail Freight

1. Canadian Transportation Agency (CTA) Modernization of Railway Regulations
2. CT Agency use of new “own motion” investigative power
3. FMA participation in judicial review of Agency decision on item (3)
4. Illegal Blockades
5. CN Tariff 9000

Road Freight

1. Hours-of-Service Regulations – Drivers
2. Driver shortage
3. Harmonization of truck size & weight regulations across provinces
4. Introduction of Electronic Logging Device (ELD) regulations

Extending FMA Outreach

1. Enhanced communications with Labour Canada on transportation labour agreements
2. Global Shippers Forum - FMA is a Canadian member - ocean shipping and air freight
-GSF Annual meeting held in London UK, Fall 2019.
3. National Industrial Transportation League U.S. - FMA & NITL have reciprocal memberships
4. Coalition of Rail Shippers - FMA Chairs – A broad coalition focusing on rail freight issues

Outlook 2021

Each year, issues arise that are unexpected, but as we approach 2021, the impact of the COVID-19 pandemic and the resulting disruptions to global supply chains was not seen in late 2019, but at this time in 2020, we can expect it will continue to have a major impact in 2021. FMA is aware of matters outlined below that will have an impact on shippers in 2020 and beyond. FMA will be pursuing these with the appropriate Canadian or international authorities, communicating these to the membership, and obtaining member input and feedback to place before the appropriate authorities.

Environment

1. With the completion of the COP21 Global warming conference in Paris, the Canadian government, and several provinces have initiated carbon pricing mechanisms that will impact freight transportation in Canada and internationally. There are greenhouse gas mitigation initiatives in play by federal and provincial governments and by international agencies. FMA will be involved as appropriate and will represent the interests of shippers. Action on carbon was implemented by the Federal government in 2019 for those provinces and territories that did not implement a provincial program. New Brunswick, Ontario, Manitoba, and Saskatchewan, and Alberta are the provinces where the federal plan was imposed. Several provinces have gone to court to fight the federal imposition of the carbon tax.

Internationally, UN International Marine Organization (IMO) *International Convention for Prevention of Pollution from Ships (known as MARPOL), Annex VI*, will limit sulphur in marine fuel oil to 0.5% beginning January 1, 2020. This is down from the current limit of 3.5%. This fuel will be more expensive and it was expected that shipping lines would be attempting to pass this increased cost on to shippers through a new "Bunker Adjustment Factor" (BAF). The implementation will continue to be monitored through the Global Shippers' Forum in 2021 and developments will be reported to FMA members as relevant information becomes available. There was concern that required volumes of Ultra-low sulphur fuel will not be available, that slow steaming and other service constraints may emerge.

The impact of COVID-19 on supply chains and the broad decrease in demand for carbon-based fuels has led to a reduction in fuel pricing and this appears to have mitigated the concern for increased pass through to shippers, but the Global Shippers' Forum will continue to monitor.

Transport Policy

2. Bill C-49, the *Transportation Modernization Act* was passed by Parliament in May 2018, and includes revisions to those parts of the *Canada Transportation Act* that provide protection for rail shippers given the limited competition that exists in the Canadian rail freight industry. FMA has been engaging with Transport Canada and with the Canadian Transportation Agency on the implementation of the new shipper protection provisions. In 2018, FMA held two briefing sessions for members on the revisions and what they mean for rail shippers. Additional information continues to be provided to FMA members through our regular communications, modal committee conference calls or special briefing sessions as new

information becomes available.

One of the main changes resulting from Bill C-49 is the new power given to the Canadian Transportation Agency to undertake rail service investigations on their own initiative. Until this change, the Agency could only undertake such investigations in response to shipper complaints. The first use of this new power was to investigate rail service failures in the Vancouver area in the winter of 2018-2019. The Agency found CN to be in violation of its service obligations. CN appealed the Agency decision to the Federal Court of Appeal, the court agreed to hear the appeal, and FMA is participating in the appeal. The court process started in 2019 and hearings were expected to begin in mid-2020, but have been delayed due to the COVID-19 shutdown of the courts. The FMA Board of Directors authorized FMA involvement in the Court of Appeal process, not because of the specifics of the Vancouver area service failure, but to have input to the court's decision that could impact the effectiveness of this important new power that will be of benefit to shippers going forward.

Regulations requiring the use of electronic logging devices (ELD) on trucks were implemented in the United States in December 2017. The new regulations have had an impact on Canadian truckers with services into the U.S. in 2018. Transport Canada has published the Canadian ELD regulations in the *Canada Gazette, Part II* in mid-2019. The deadline for implementation on all trucks used interprovincial trade is June 12, 2021. FMA has arranged a briefing on this topic for FMA members in late 2020 and will maintain contact with Transport Canada on this topic in the coming months.

Global Container Shipping

3. Capacity Constraints The major global container shipping issue to emerge in 2020, with the COVID-19 global economic shutdown, has been a significant disruption to container shipping on many routes, particularly on the Trans-Pacific. This has led to vessel shortages as ships were taken out of service and container shortages in some services. As 2020 progressed, the demand on the Trans-Pacific routes exploded and in late October and November, container volumes are now exceeding 2019 volumes. This increased demand is driven, in part, by North American retailers who are advancing their various seasonal purchase from Asian suppliers due to the uncertainty related to possible COVID-19 impacts on supply chains in the coming months.

While the container lines have ramped up capacity, the higher demand has led to significantly increased pricing above contract rates, rollover of shipments to later voyages, and a significant shortage of containers on the west coast of North America for loading of agricultural and forest products. The shipping lines are preferring to return empty containers to the Asian loading ports as directly and quickly as possible rather than take North American products on westbound Transpacific routes at "backhaul" rates that are significantly lower than the eastbound "headhaul" rates. FMA has discussed the situation with the Canadian Transportation Agency and investigated the options that may be open to Canadian shippers under the governing law, the *Shipping Conferences Exemption Act (SCEA)*. FMA will continue to monitor, to continue dialogue with the Agency, as appropriate, and will discuss with our U.S. counterpart, the National Industrial Transportation League (NITL). Joint action with NITL is particularly appropriate as U.S. shippers and importers are facing the same problems.

Container Decontamination Responsibility for container decontamination was an emerging issue in 2017 and 2018 with both the Canadian and U.S. governments as they attempt to prevent the introduction of non-native plant and animal pests into North America to protect forests and agriculture. FMA represented the Global Shippers Forum and our U.S. counterpart organization, the National Industrial Transportation League (NITL), before the U.S. and Canadian agricultural authorities in 2017 and 2018, and was active on this file in 2019. As a result of this involvement, along with other stakeholders, the U.S. and Canadian authorities issued “Best practices” guides rather than formal mandatory regulations. The unintentional transfer of invasive species by marine containers has been taken up by the UN on a global basis beginning in 2018 and FMA and its partners in the Global Shippers’ Forum will be engaging with the IMO on this matter, as well as continuing to engage with the Canadian and U.S. authorities. In 2020, information produced by the Canadian Food Inspection Agency (CFIA) and the U.S. Department of Agriculture became available and FMA is planning to organize briefing sessions or webinars on this topic for the membership in early 2021.

Ultra Low Sulphur Fuels The third topic related to container shipping that will be monitored is the requirement for container lines to begin using ultra-low sulphur fuel that was required beginning January 1, 2020. Shipping lines also had the option of installing scrubbers to reduce the sulphur compounds released into the atmosphere. The new requirements may also be a factor leading slow steaming by container lines which has inventory implications for shippers. As mentioned above, this issue has not emerged as a significant issue due to the collapse of petroleum prices in 2020.

Labour Issues

4. On November 19 2019, the CN conductors and yard personnel, represented by the Teamsters Canada Rail Conference (TCRC) commenced a strike that lasted for 8 days and caused considerable damage to the Canadian economy and to FMA members in many industries, both exporters and importers. FMA wrote to the appropriate cabinet ministers prior to the strike warning them of the damage that would result from a strike and maintained contact with Labour Canada, Transport Canada, and Natural Resources Canada during the strike. FMA issued daily updates to members on the dispute from about ten days before the strike started until after the strike ended.

Currently CP has two agreements expiring on December 31, 2020. The first is with their 140 Rail Traffic Controllers and the second is with 380 Signal Maintainers. In December, CP announced a tentative agreement with the Signal Maintainers. FMA will monitor the Rail Traffic Controllers negotiations going forward in 2021.

There was one other significant supply chain strike in 2020 and that was the longshore workers at the Port of Montreal that took place in June. The previous agreement expired at the end of 2018. This strike created significant supply chain disruptions for importers and exporters in central Canada and in the US mid-west. It caused congestion problems at the Port of Halifax due to traffic being diverted to that port. FMA communicated the shipper community concerns to the appropriate government officials and maintained contact with the employer bargaining group before, during and after the strike. As of November 30, there is

still no agreement and FMA continues to maintain contact with the employer group.

FMA obtains an advance copy of the list of major transportation labour agreements that expire each year prior to publication on the Labour Canada website. Labour Canada has provided the list of those agreements that will expire in 2021. FMA will be sending the list to the members in good standing within the next few weeks.

Other Issues

5. NAFTA 2, the replacement trade agreement for NAFTA, was concluded in 2018. It has been ratified by the legislative bodies in Canada and the U.S. FMA is one of the organizations that is being briefed by Global Affairs Canada on NAFTA 2 and will be keeping FMA members apprised as new information becomes available.
6. Through our relationship with the UK Freight Transport Association (FTA), we are following the Brexit issue in the UK. How Brexit unfolds will have an impact on Canada-UK trade. It was announced on November 22nd that Canada and the UK had reached an interim agreement that will keep trade flowing between the two countries on the same basis as the current Canada- EU Free Trade agreement. The UK and EU announced a post-Brexit agreement on December 24. FMA will be monitoring the post-Brexit situation with our colleagues at the FTA.
7. With regard to the federal political situation, it is uncertain how long the current minority Liberal government will remain in the current position. FMA will continue to monitor the Parliamentary situation through our various contacts and keep the membership apprised of any significant developments as early as possible.

FMA Leadership

8. I informed the Board of Directors in June that I will be stepping down from the FMA presidency at the end of 2020 after 18 years in that position.

The Board of Directors has confirmed the appointment of John Corey as the new president of FMA effective January 1, 2021. John comes to FMA after a 28-year career with the Canadian Transportation Agency, the main transportation regulator, where he was involved in the Agency's dispute resolution services. John joined FMA as vice-president at the beginning of 2020 and has brought new perspectives and initiatives.

John will be an effective leader for FMA and I wish him success.

I will continue to be involved in a support role going forward. It has been an honour and privilege to be part of the Freight Management Association of Canada.

R.H. Ballantyne, P.Eng.
President

December 29, 2020