



CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE DE
L'INDUSTRIE DE LA CHIMIE

April 4, 2022

Mr. Peter Schiefke, MP
Chair of the Standing Committee on Transport, Infrastructure and Communities
c/o The Clerk of the Standing Committee
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

Dear Mr. Schiefke,

On behalf of the Chemistry Industry Association of Canada (CIAC) we are pleased to submit comments to the Standing Committee on Transportation, Infrastructure and Communities as part of its study regarding the State of Canada's Supply Chain.

Sincerely,

Bob Masterson
President and CEO



CIAC Brief to the House of Commons Standing Committee on Transport, Infrastructure and Communities State of Canada's Supply Chain Study

Recommendations:

- 1) Deem rail an essential service.
- 2) Ensure there is confidence and capacity in the network to meet the current and future needs of the economy:
 - Continue the National Trade Corridors Fund with a focus on projects enhancing the capacity and resiliency of the rail network.
 - Work collaboratively amongst all levels of government to attract investment.
- 3) Enhance transparency and competition to drive improvements and investment:
 - Publish the amendments to the *Transportation Information Regulations*.
 - Revise and strengthen the remedies for shippers offered by the Canadian Transportation Agency.
- 4) That the federal government:
 - Partner with provinces and industry to attract Canadian drivers to the profession.
 - Develop a training fund to be accessed by recognized employers.
 - Develop a recognized employer program for the Temporary Foreign Worker Program and streamline processes to Labour Market Impact Assessment and paths to permanent residency.
- 5) Continue funding the Railway Safety Improvement Program.

Chemistry is Essential to Canada's Economic Recovery

In April 2020, the global economy shutdown and governments around the world closed their borders to address the COVID-19 pandemic. As economies have re-opened, demand for physical goods, digital goods and for services has come roaring back, often much stronger than anyone expected. COVID-19 also exposed gaps in supply chains and as countries began to look out for their own citizens it became obvious that domestic manufacturing and distribution capacity is critical in times of distress and uncertainty. Chemistry products are the building blocks of the modern economy. Ninety-five per cent of all manufactured goods – from appliances, to automobiles, to safe and sanitary plastic food packaging and hand sanitizer – depend on chemistry and plastics. As we build back from the COVID-19 pandemic Canadians will need chemistry. We will need chemistry to meet our climate change goals; we will need chemistry to achieve a net-zero carbon emissions future; and we will need chemistry to build a circular economy that ensures materials stay in the economy and out of landfills. Canada's supply chain and transportation network is critical to achieving these objectives. To be successful the system must be safe, resilient, competitive, reliable, and ready to meet the needs of tomorrow.

Canada's Supply Chain

Individual Canadians and businesses are becoming increasingly concerned about the reliability of supply chains to get them the essential products they need. A well-functioning supply chain is essential for supporting good jobs and keeping goods reliably moving to Canadians.

Chemistry Industry Association of Canada (CIAC) members have been engaged in supporting and informing supply chain policy for years. Our members rely on rail, road, and marine transport with each mode presenting unique and compounded challenges to the supply chain, including a truck-driver shortage,

container shortages, and port congestion. In a recent survey 76 per cent of CIAC members noted their operations had been negatively impacted by the various supply chain disruptions over the last year. The impacts of these disruptions included:

- Reduced shipping reliability
- Lost Canadian production/ shipments
- Lost Canadian sales
- Lost export sales
- Delays in shipping to customers
- Delays in receiving raw materials/inputs
- Increased transportation and logistics costs
- Increased labor costs

These impacts are all adding up for members, especially when service costs rarely, if ever, decrease. Specifically, 79 per cent of respondents told us that shipping reliability has become a serious issue, 83 per cent said they have seen transit times increase, and 55 per cent said they have lost sales in Canada and abroad. This leads to less products getting to market, higher wait times for customers and in the end, higher prices for consumers. The ongoing supply chain challenges are extremely concerning and challenge our ability for growth and investment to the sector.

Mode Specific Impacts

In all modes it is clear supply chain challenges are leading to longer transit times and increased costs.

In the marine mode, 66 per cent of respondents rely on shipping containers where availability has been impacted since the early days of the pandemic. Longer transit times, increased rates and shortages of shipping containers were cited as the most common impacts.

Road supply chain impacts are leading to longer transit times, higher transportation rates and the unique challenges related to moving dangerous goods such as additional training and experience required are all impacting members. Fifty-five per cent of respondents say road supply chains are getting worse, which is the highest rate of deterioration in transportation networks identified in the survey.

Many of the recommendations that follow focus on the rail network given that 76 per cent of CIAC members identified rail as the major pinch-point in their supply chain. Missed switches, increased demurrage, and reduced service have all been cited as challenges members are facing.

Rail is Critical to the Supply Chain and Canadian Economy

The chemistry sector needs reliable, efficient, low-cost rail service. Canada's chemistry industry makes three-quarters of its annual shipments by rail. Chemicals and plastics products account for 9-11 per cent of all Canadian rail traffic.

Specific to our sector, in many cases, chemical plants are continuous operations that require reliable, uninterrupted rail service to produce and deliver essential products to customers. The impacts of work stoppages are immediate, severe, and long-lasting as there are no viable alternatives for shipments. Even the threat of a work stoppage effects chemistry operations as companies will start implementing protocols to try to slow down production, shift modes, alter routing, service customers from alternative facilities, store extra

cars onsite - all at significant extra cost and time. This is an extremely inefficient use of both human and financial resources which would be much better spent making improvements to operations and supporting opportunities for growth.

The chemistry sector provides vital inputs to other key sectors including energy, housing, automobiles, pulp and paper and consumer products. When our plants cannot deliver product and are forced to reduce output, the impacts are cascading, and other areas of the economy are impacted. Furthermore, there are significant health and safety implications as well, given that many municipalities rely on our member-companies to supply chemicals for essential services such as water treatment.

COVID-19 and the special provisions made to keep goods flowing during lockdowns have highlighted the fundamental role the transportation network plays in the Canadian economy. Rail is an essential service and must be treated as such. Over the last decade we have seen severe rail network disruptions on a near annual basis via work stoppages, blockades, and weather events. This has meant *millions/billions* in lost sales and investment and has tarnished Canada's reputation as reliable shipper. It should be noted, in similar jurisdictions, such as the United States, rail is deemed an essential service and shippers do not have to undergo the same continuous uncertainty regarding labour disputes.

Recommendation:

1. **Deem rail an essential service.**

Capacity and Confidence are Key to Success

The chemistry sector offers world scale and world-class investment opportunities. For Canada to be competitive all levels of government need to work together on broad-based policies as well as targeted measures. As 75 per cent of our products are for export, reliable transportation is a key factor companies consider when deciding where to place their investment dollars. CIAC applauds the government's support of major infrastructure projects through the National Trade Corridors Fund but believes with increased certainty and confidence even more could be done to use this funding to strengthen the supply chain.

Over the last few years Canada has earned the dubious reputation of having significant transportation network risks. The near annual significant network disruptions are harming our competitiveness and the ability of railways to provide world-class service. In the last three years alone there have been five significant labour and service disruptions that have shutdown our railway networks and clogged our ports. This must end and the most effective way to do this is with an essential service designation for rail while simultaneously building extra capacity into the network. An essential service designation would give workers, railways and shippers a predictable and stable outlook for moving goods across the network. It would allow everyone to plan their investments and expansions with a clear outlook and with world-class service outcomes as the goal. Canada is set to see two world-class investments come online this year and one of their biggest worries is getting those goods to market.

In addition to designating rail as an essential service, there needs to be more redundancy built into the system to address rapidly changing global markets, and the inevitable winter conditions, bottlenecks, and impacts from climate change that are devastating the supply chain. Every year we see the rail network struggle to provide the reliable and consistent service shippers require. This constant uncertainty makes it incredibly challenging for investors to have confidence the system will be able to support their needs of increased volumes in the future.

Recommendations:

2. **Ensure there is confidence and capacity in the network to meet the current and future needs of the economy:**
 - **Continue the National Trade Corridors Fund with a focus on projects enhancing the capacity and resiliency of the rail network.**
 - **Work collaboratively amongst all levels of government to attract investment.**

Information is Essential

More transparent information for all those using the system is essential for making informed decisions and encouraging investment and competition in the network.

CIAC advocates for a safe, fair, commercially-based, market-driven freight rail system. This work is key in supporting competitiveness, trade interests, jobs, and economic growth and prosperity. Currently, the freight rail market is not a functioning competitive market. It is a dual monopoly.

Dependable and transparent information is fundamental in ensuring a move toward a more reliable and robust supply chain. CIAC is encouraged by the government and Transport Canada's efforts to develop a data regime to support evidence-based decision-making by government and stakeholders.

CIAC supports the anticipated publication of permanent data regulations through amendments to the *Transportation Information Regulations*. These data regulations were initially introduced in a scaled-back, interim form with the passage of *The Transportation Modernization Act* in 2018. We are supportive of their anticipated increased level of commodity and geographic detail. Meaningful, timely, and detailed data is essential for all stakeholders within the supply chain.

This information will assist in identifying specific bottlenecks, allowing users to make more informed decisions, benchmarking, and consistently tracking many factors to be able to see linkages and trends. More information helps to clearly identify to all stakeholders the areas that need to be addressed to alleviate bottlenecks. This reliable information makes it easier to ensure targeted investments are going to the right places and to be able to measure if they are having the desired impacts.

While the anticipated rail data metrics will increase transparency in aspects of the system overall there will remain a power imbalance between individual shippers and carriers which can be crippling. Approximately 80 per cent of CIAC members are captive shippers. Where there are no alternative service providers there is little consequence for poor, unreliable service and increasing rates. The limited provisions offered by the Canadian Transportation Agency make up most of their extremely limited tools in addressing significant issues with service providers. While long-haul interswitching was introduced to drive competition that has not been the case. CIAC believes more should be done to strengthen and enhance the limited tools available to shippers. Increasing competition, or a proxy, can drive innovation, investment, and improved service - all things that will support a robust and reliable supply chain.

Recommendations:

3. **Enhance transparency and competition to drive improvements and investment:**
 - **Publish the amendments to the *Transportation Information Regulations*.**

- **Revise and strengthen the remedies for shippers offered by the Canadian Transportation Agency.**

More Drivers are Needed

Canada's trucking industry is experiencing a drastic labour shortage — one that has only been made worse by the pandemic. CIAC partners have seen recruitment and retention challenges and a very competitive market become even more competitive. Currently there are over 23,000 truck driver vacancies in Canada, and this is expected to increase to over 55,000 vacancies in 2024.

Road supply chain impacts are leading to longer transit times, higher transportation rates, and the unique challenges related to transporting dangerous goods such as additional training and experience are all impacting our members. Over half of respondents to our survey said road supply chains have worsened over the last year, which is the highest rate of deteriorating transportation networks in the survey.

Understandably, this challenge must be addressed collaboratively between industry and both the provincial and federal governments. An area of collaboration would be working to attract more Canadian drivers to the profession. Additionally, at the federal level it would be beneficial to focus on training and immigration programs and policies. In these initiatives it is important to partner with 'recognized employers' —companies that are reputable and have been vetted.

Recommendations:

4. That the federal government:

- **Partner with provinces and industry to attract Canadian drivers to the profession.**
- **Develop a training fund to be accessed by recognized employers.**
- **Develop a recognized employer program for the Temporary Foreign Worker Program and streamline processes to Labour Market Impact Assessment and paths to permanent residency.**

No Compromises on Safety

Safety is the number one priority for the chemistry industry.

Any action by CIAC members to address the environmental, economic and community impacts of our operations are governed by Responsible Care®. Responsible Care is the flagship program of our industry that ensures our members innovate for safer and greener products and processes, and work to continuously improve their environmental, health and safety performance. Launched in Canada in 1985 and now adopted globally and recognized by the United Nations, Responsible Care compels CIAC member-companies to "do the right thing and be seen to do the right thing." This is our commitment to sustainability — delivering results for the betterment of society, the environment, and the economy. This includes continued improvement in safe transportation of dangerous goods.

CIAC members go above and beyond what is required for transporting chemical products. This is seen in their commitment and leadership of TRANSCAER (the Transportation Community Awareness and Emergency Response) initiative and TEAP III (the Transportation Emergency Assistance Program).

TRANSCAER was started in Canada in 1985 by the CIAC and is led today, by CIAC and the Railway Association of Canada (RAC). TRANSCAER members work with municipalities, emergency responders, and residents in

communities along transportation routes to make sure they are informed about the products being moved through their area and prepared to respond to potential incidents involving dangerous goods.

Safety must be a collaborative effort amongst all stakeholders and Transport Canada's Railway Safety Improvement Program is key in supporting this. CIAC is currently partnering with Transport Canada through this program to develop and launch bilingual virtual reality tools that allows TRANSCAER to reach more communities and first responders across Canada than ever before. Additionally, we are working on creating a safety training tank car that will travel to communities across the country to provide much needed hands-on training to first responders. Once complete this tank car will be able to travel across the country and enhance awareness regarding rail safety for decades to come.

Recommendation:

5. **Continue funding the Railway Safety Improvement Program.**

Appendix A

Historical listing of significant rail disruptions since 2010

Year	Month	Railway	Disruption Type *Strike = threat/mandate or actual stoppage
2010	September	CN	Strike - TCRC
2012	May	CP	Strike - TCRC
2013-2014	Winter	CN&CP	Grain Transportation Crisis
2014	February	CN	Strike - TCRC
2015	February	CN & CP	Strike - TCRC and Unifor
2017	May	CN	Strike - TCRC
2018	May	CP	Strike - TCRC
2019	November	CN	Strike - TCRC
2020	February-March	CN&CP	Blockades
2021	Summer/Winter	CN&CP	Fires/Flooding
2022	March	CP	Strike - TCRC