

WESTAC COMPASS REPORT



LEADER SURVEY HIGHLIGHTS

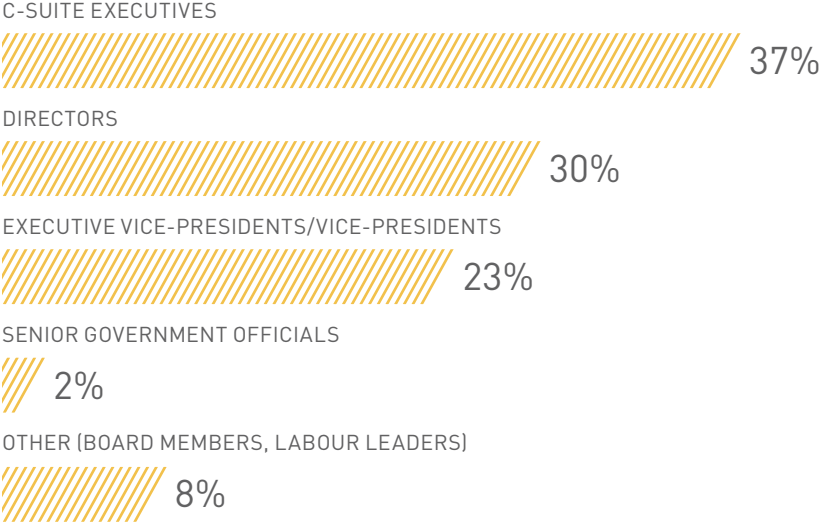
COMPASS 2021

This is the fourth edition of the annual Compass Report—a unique WESTAC product that surveys the thoughts, plans and expectations of Canada’s transportation executives. The survey captures data from 2020 and builds on data from previous surveys.

KEY FINDINGS

- 1. COVID-19 and its effects on the Canadian economy are top of mind for transportation executives. There is significant uncertainty regarding the possible depth and length of the global economic downturn.
- 2. Investments in infrastructure will be critical to kickstart the post-pandemic economic recovery and drive trade and employment.
- 3. The COVID-19 pandemic tested the resiliency of Canada’s supply chains. Although there is consensus that they were resilient, continued operational improvements are needed for companies to succeed in an increasingly competitive environment.

WE HEARD FROM:



HOW CAN THE COMPASS SURVEY HELP YOU?

Please feel free to use the survey results in your reports and presentations. You can also request additional resources, including infographics, presentation slides and print or digital copies of Compass Reports.

To order, contact Marzia Rizvi, WESTAC’s Manager, Program Development and Communications, at mrizvi@westac.com or 604-687-8691.

This edition highlights critical issues and proposed solutions for the Canadian economy to recover from the effects of COVID-19 and support longer-term success.

IMPORTANT NOTE

The data contained in this report are identified by the years in which they were gathered. Data gathered in 2020 are from the survey completed between October 1 and October 28, 2020. Figures have been rounded up or down to the nearest digit.

BUSINESS CONFIDENCE & ECONOMIC OUTLOOK



We asked transportation leaders to identify the most pressing business challenges today and for the near future.

TOP 5 BUSINESS CHALLENGES



1.

COVID-19

More than 80% of respondents identified COVID-19 as a top challenge facing businesses in the next 12 months.

2.

ECONOMIC SLOWDOWN

There are high levels of uncertainty about the timing and extent of the post-pandemic recovery.

3.

POLITICAL RISK AND UNCERTAINTY

Executives are concerned by governments' loss of focus and lack of fiscal capacity for infrastructure investment as significant attention remains directed to assisting small businesses.

4.

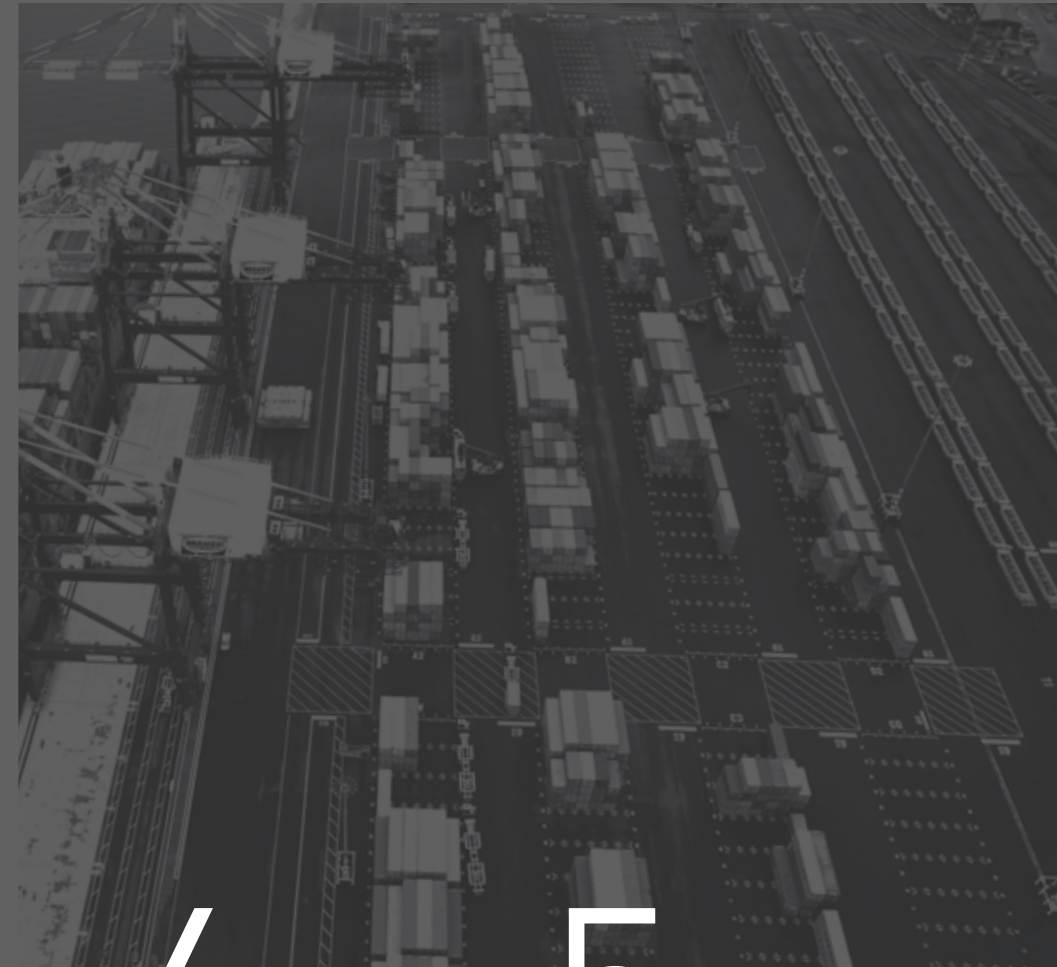
PROTECTIONISM AND TRADE TARIFFS

Global trade conflicts and tariffs on Canadian goods continue to be top concerns.

5.

OBSTACLES TO PROJECT APPROVALS

The regulatory environment is viewed as hindering investment in trade-enabling projects.



BUSINESS ENVIRONMENT OUTLOOK

The outlook on the overall business environment is mixed.

2020

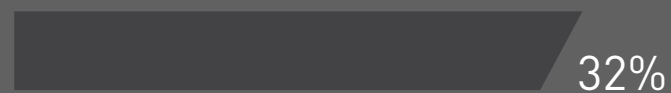
POSITIVE



NEUTRAL



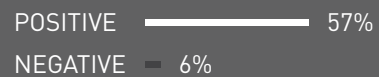
NEGATIVE



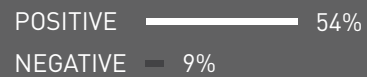
WHAT THIS MEANS

The largely split outlook for the next 12 months reflects the uncertainty about COVID-19 and its effects on the Canadian and global economy. Respondents are concerned about the growth in cases, the likelihood of further restrictions, the impact on small businesses and vaccine availability.

2017



2018



2019



“There will be a shift in global demand for consumer goods, but resource commodities will continue to be a global driving force. Western Canada, with its abundant natural resources, will continue to drive success.”

EXPORTER

“Certain sectors, such as agriculture and food, are likely to do well, but weaknesses in other sectors and an uncertain global trade outlook will be a challenge to Western Canadian growth.”

INDUSTRY EXPERT

“[Because of] COVID-19 and oil, the energy industry is facing fundamental challenges that I believe will get worse before they get better. The industry is a significant component of the Western Canadian economy that will have impacts everywhere.”

RAILWAY

INVESTMENT CLIMATE

Respondents continue to be pessimistic about Canada's investment climate...



...and most also think it has been getting worse.

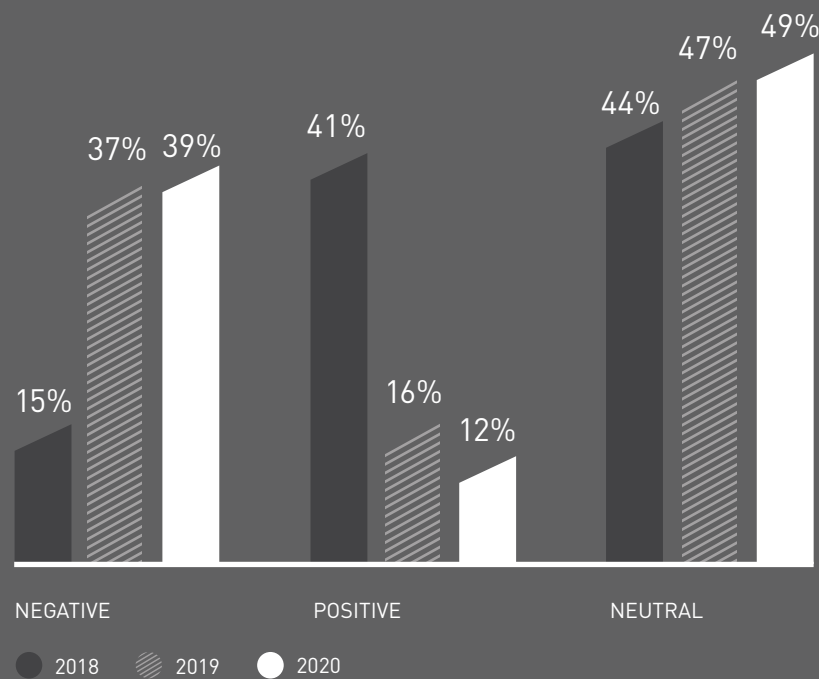
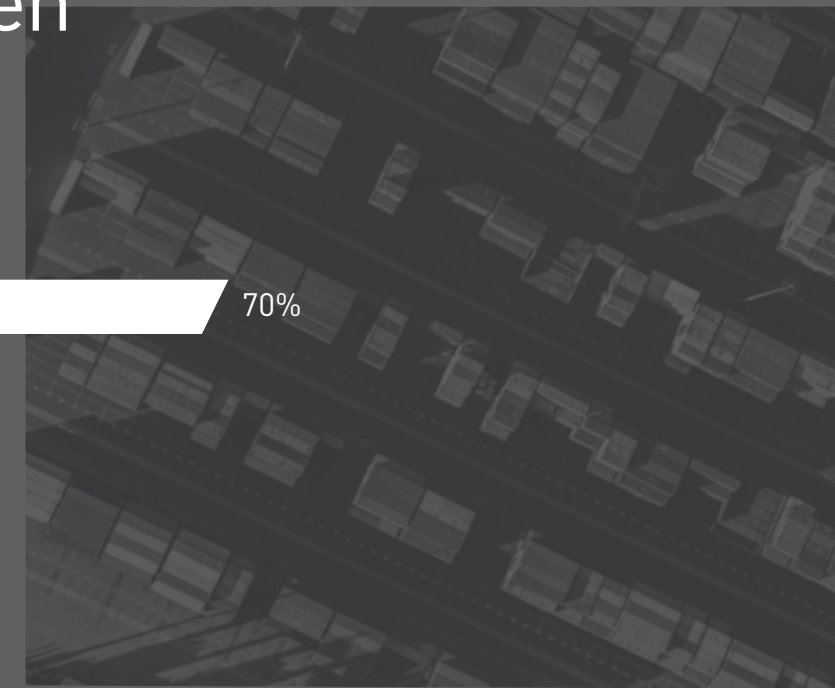
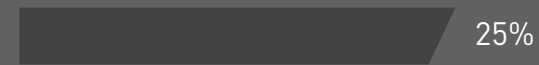
WORSE



BETTER



NEUTRAL



“There were rail blockades across Canada in early 2020, and uncertainty over whether they may happen again creates challenges in our industry.”

PORT AUTHORITY

“A combination of COVID-19 and uncertainty created by opposition [to projects], even after appropriate approval processes have been adhered to, has made the investment climate somewhat worse.”

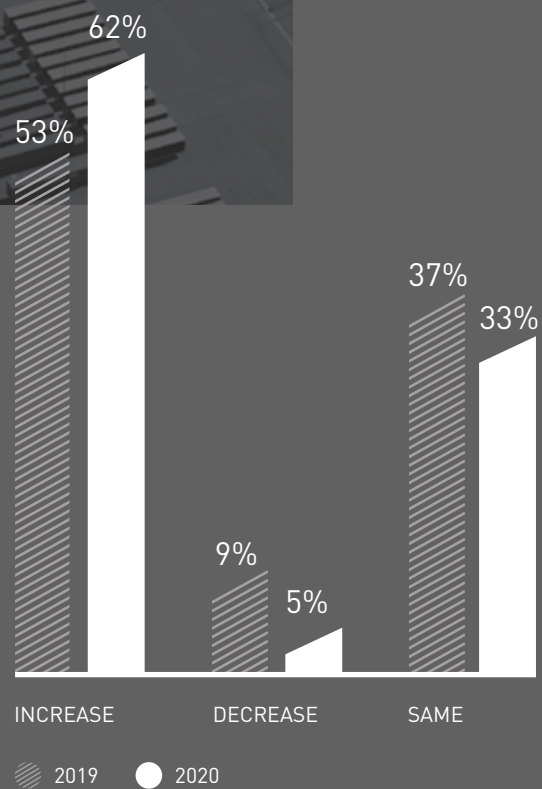
EXPORTER

WHAT THIS MEANS

The pandemic is not the only cause of leaders' waning confidence in Western Canada's business investment climate. Depressed oil prices, opposition to resource development and mixed messages from the federal government discourage investment.

ORGANIZATION
OUTLOOK

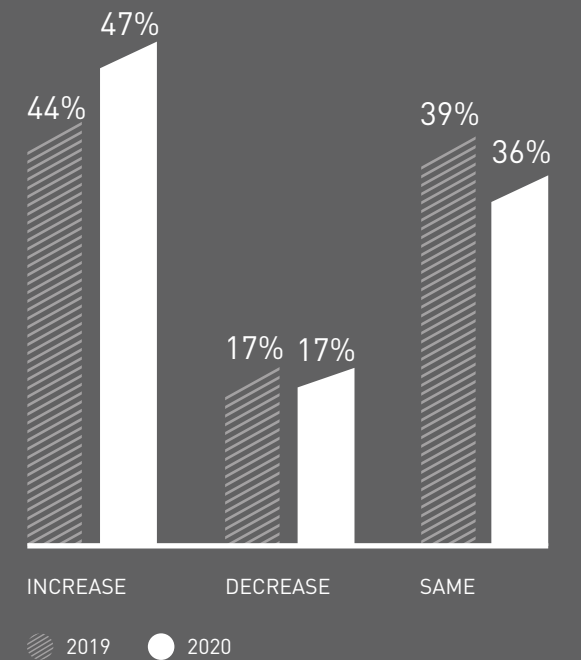
Transportation leaders are optimistic about their own revenue expectations...



Although ports and terminals were most optimistic (with 70% of respondents expecting revenues to increase), other transportation sectors were not far behind.

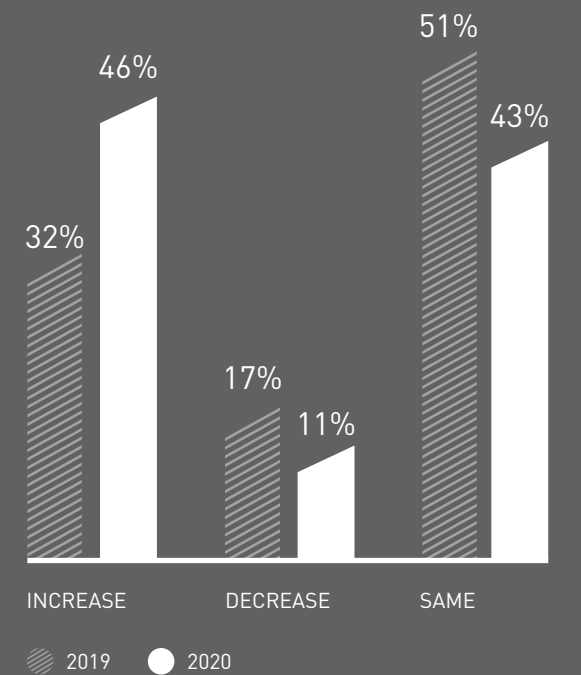
...and close to half expect to increase their capital investments.

Despite concerns about the Canadian investment climate, capital projects must continue. Shippers, ports and terminals are most likely to increase investment spending to capture growth opportunities.



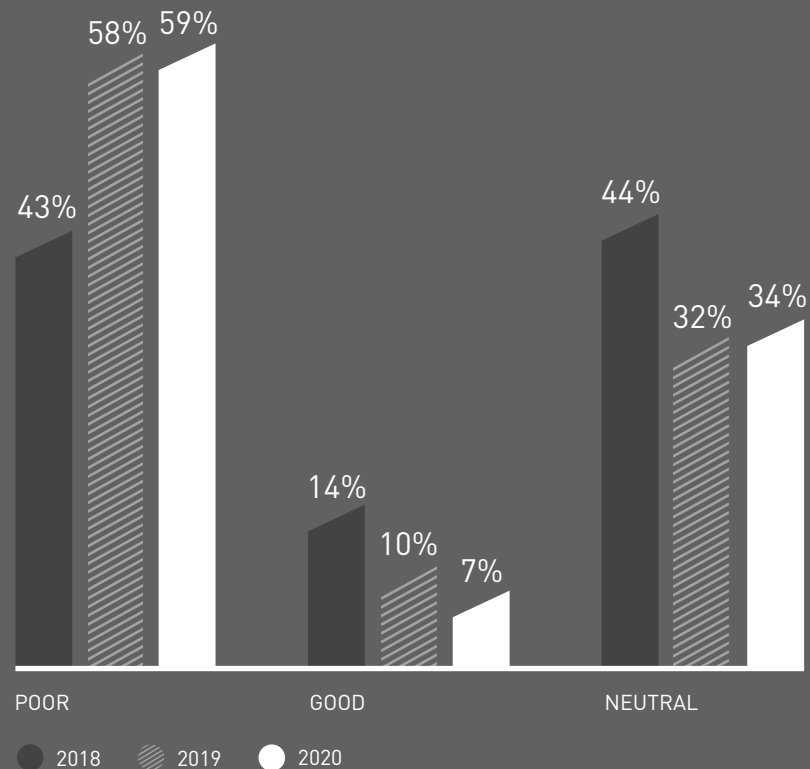
Nearly half expect to increase their workforce size.

Terminals and carriers are most likely to increase their workforces, while shippers and retailers said they would keep them at current levels.



REGULATORY ENVIRONMENT

Survey respondents continue to see the regulatory environment as detrimental to investment.



“Canada has acted responsibly in not introducing new regulations during the uncertainty of COVID-19, but in a post-COVID economy, the federal government must make changes to encourage investment.”

TRUCKING

“We have a very strong, responsible and accountable regulatory system in Canada, and I think citizens appreciate that governments, industry and regulatory bodies do their due diligence. But this comes at a cost. It sometimes takes longer to get things through the process.”

GOVERNMENT

“The UNDRIP [United Nations Declaration on the Rights of Indigenous Peoples] requirements are not clear and will add to the already large regulatory burden in Canada.”

MARINE CARRIER

WHAT THIS MEANS

Businesses understand the need for regulation. However, it is incumbent on governments to create fair, transparent and efficient regulatory processes. Governments must recognize that regulations from multiple levels, compounded by obligations to international agencies, add to the overall burden for businesses.

**IMPACT OF
COVID-19**

Even though COVID-19 has been a top business challenge, most industry leaders report that its impact on Western Canadian supply chains has been moderate.

44%
believe that COVID-19 has had a moderate impact on the overall supply chains in Western Canada

23%
say it has had a critical or significant impact

Surveyed executives reported a range of developments in their sectors related to COVID-19, from higher costs and projects delays to new investments.

43%
incurred significant costs to provide personal protective equipment and enhance cleaning

31%
revised their strategies and operations to be more resilient moving forward

37%
experienced a drop in revenues

34%
reported delays in projects

26%
invested in skills-building

“Every decision we make takes into account the impact of COVID-19 in some form.”

TRUCKING

“Productivity has been stable. Employees adapted well and pivoted to online work. COVID-19 has resulted in innovative solutions that would not have happened otherwise.”

PORT AUTHORITY

“We face increased uncertainty, inability to forecast beyond a month or two, and therefore inability to produce at full capacity.”

SHIPPER



B

WESTERN CANADA'S SUPPLY CHAIN OUTLOOK



We asked transportation leaders to identify the most pressing challenges for Western Canada's supply chains.

TOP 3 CHALLENGES FACING THE FREIGHT TRANSPORTATION SECTOR

1.

INFRASTRUCTURE AND CAPACITY

More than three quarters (77%) of respondents identified insufficient infrastructure and capacity as their top issues. 90% of ports and terminals are concerned with aging infrastructure and the need for additional capacity.

2.

OPERATIONS

The most immediate challenge is mitigating risks from COVID-19. More than 50% of respondents identified ongoing concerns with reliability and communications between supply chain partners.

3.

GOVERNMENT

Respondents identified a lack of coordinated, long-term infrastructure planning, interprovincial trade barriers and recurring challenges from federal regulations as key issues.

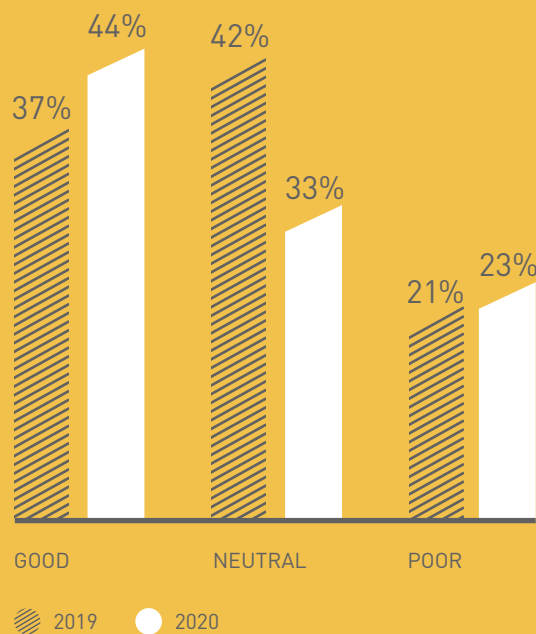
SUPPLY CHAIN COMPETITIVENESS, RESILIENCY, & REPUTATION

Respondents believe that Western Canada's supply chains are generally competitive, resilient and reputable.

Industry leaders feel more positive about Western Canada's supply chains this year than they did last year.

**SUPPLY CHAIN
COMPETITIVENESS**

Nearly half (44%) of respondents rate the competitiveness of Western Canada's supply chains as good.



“Canadian supply chains have been as efficient as those on the US west coast, if not more.”

INDUSTRY EXPERT

“Western Canada's supply chains have continued to perform through the pandemic, which has helped offset concerns over competitiveness.”

PORT AUTHORITY

**SUPPLY CHAIN
RESILIENCY**

Almost 9 in 10 respondents believe Western Canada's supply chains are resilient.



“Too many operations are running too lean in the name of efficiency to recover swiftly from disruptions. Network redundancy is needed to address more frequent disruptions, including those caused by climate change.”

GOVERNMENT

“Discussion is needed between provincial and federal stakeholders to guide investment in infrastructure and goods distribution practices.”

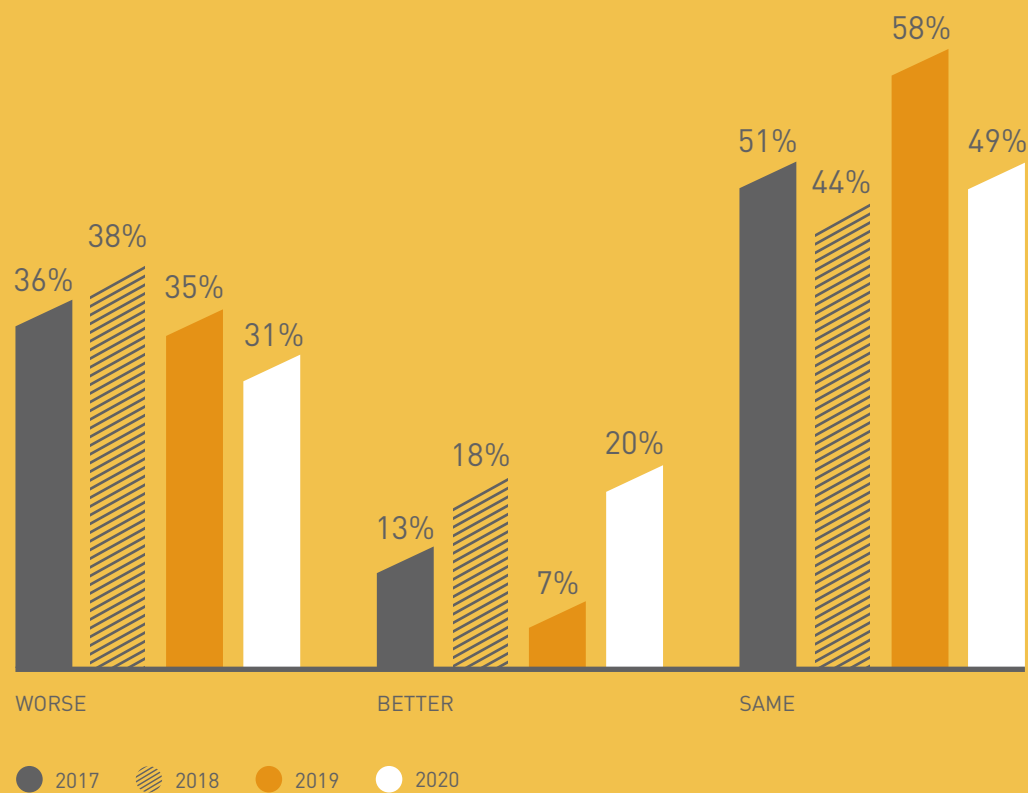
LOGISTICS PROVIDER

“The key to improving resiliency is to understand weak points or bottlenecks throughout the supply chain and invest to mitigate the risks. Sometimes just knowing where the risks are will improve management and resilience.”

INDUSTRY EXPERT

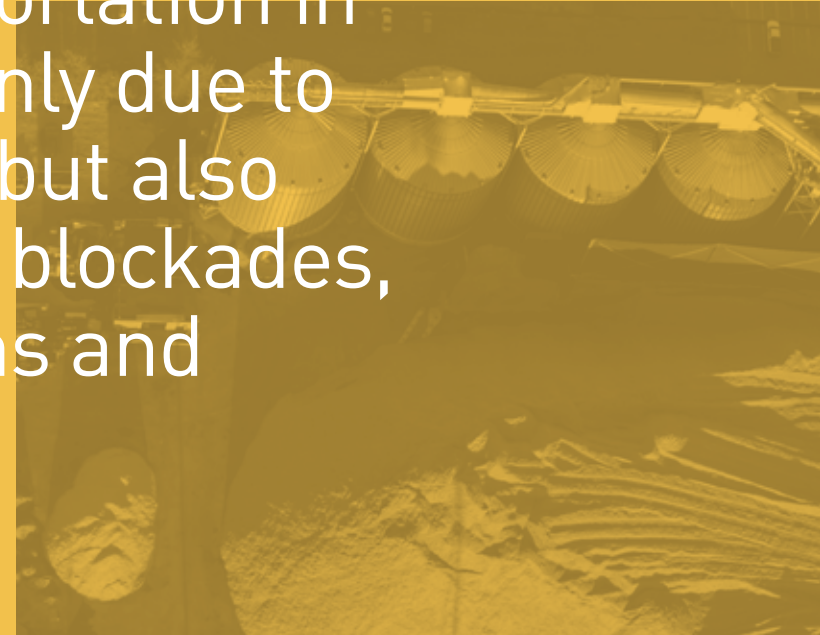
SUPPLY CHAIN REPUTATION

More respondents believe the reputation of Canada's supply chains has improved compared to 2019.



20% of respondents believe the reputation of Canada's supply chains has improved over the last 12 months. This is an improvement over the previous year.

2020 was a challenging year for transportation in Canada—not only due to the pandemic, but also because of rail blockades, train slowdowns and labour unrest.



“Cooperation within the supply chains is better and we are working together in many instances. The ability to keep the supply chain’s performance intact has increased our reputational reliability.”

RAILWAY

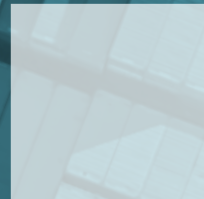
“Our reputation is not stellar. We need additional investment and focus on better logistic solutions and actions to see further improvements.”

SHIPPER

WHAT THIS MEANS

Stakeholders continue to emphasize the importance of investment to increase capacity and Canada’s access to global markets. They acknowledge recent investments in terminal capacity, especially in the Vancouver area, and point out that continued improvements are needed. It would be easy to slip back toward poor service and execution and negatively affect Canada’s reputation.

MOVING FORWARD WITH CONFIDENCE

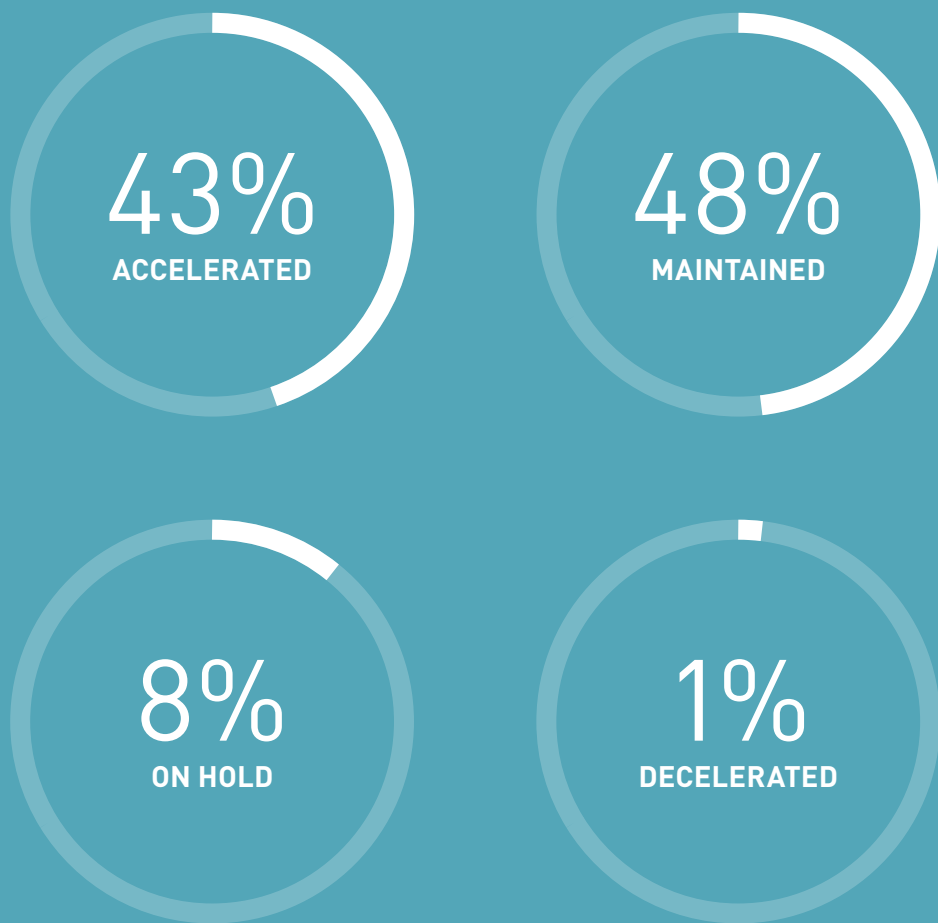


We asked executives to look at the big picture and provide their thoughts on how to improve the sector's performance.

TECHNOLOGY

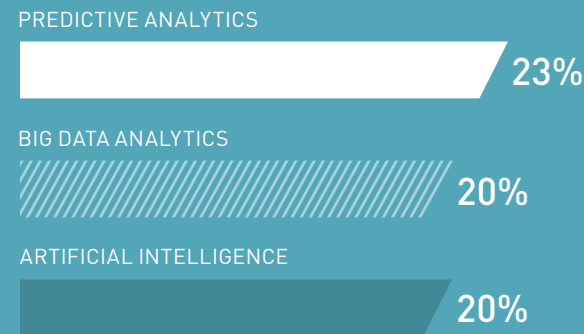
2 in 5 firms have accelerated their technology investments during the pandemic.

Top reasons for accelerating technology investments included increasing competitiveness, improving communications systems and supporting work from home/remote locations.

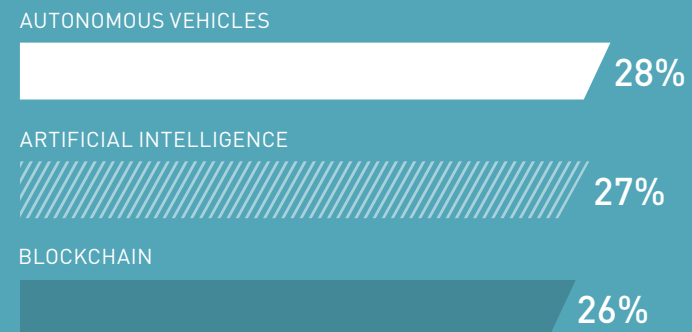


Businesses are investing in digitization and automation and considering other technologies.

TECHNOLOGY TO BE ADOPTED WITHIN 2 YEARS



TECHNOLOGY TO BE ADOPTED WITHIN 2-5 YEARS



“With our business growth, it makes sense to invest in technology to improve efficiency by getting valuable data on operations and to improve planning.”

RAILWAY

WHAT THIS MEANS

The transportation sector recognizes that technology can solve many supply chain issues. Leaders believe that continued investment in technology will be critical to improve communication and engagement with stakeholders and remain competitive.

SUPPLY CHAIN SOLUTIONS

What do leaders see as the solutions to improve Western Canadian supply chains?

Increase communication and collaboration between supply chain partners as well as between industry and government to enhance efficiencies.

Invest in infrastructure and coordinate project timing to ensure maximum utilization.

Leverage technology to increase transparency and data-sharing.

How can we improve Western Canada's supply chains?

“A modern, efficient transportation supply chain that will make Canada competitive comes from collective effort between the private sector and government.”

TERMINAL OPERATOR

“Canada needs mechanisms for greater performance transparency, and government should incentivize greater collaboration.”

PORT AUTHORITY

“Major bottlenecks are well known and need to be addressed as a priority. Also, more industrial lands are needed, and pipelines should be built to take pressure off the system.”

EXPORTER

“Use the COVID-19 pandemic as a time to assess deficiencies in the supply chains, and then use the information to fix them.”

RAILWAY

“Better communication regarding arrival times will help manage manpower appropriately to ensure safety and reduce the long hours that contribute to injuries.”

LABOUR



TAKE-AWAY MESSAGES

PERSEVERE AND COLLABORATE

There is significant uncertainty regarding the possible depth and length of a global economic downturn and the sustainability of current trade patterns. However, growth will return—and we can become more competitive if we work collaboratively.

DON'T LET THE CRISIS GO TO WASTE—USE THE LESSONS TO BUILD RESILIENCY

COVID-19 tested Western Canadian supply chains. By and large, there is agreement that they are more resilient than they were in previous years, but the question remains whether we have the determination to maintain the momentum.

COMMUNICATION WILL WORK—IF WE WORK AT IT

Respondents repeatedly called for better communication within supply chains on logistics and the need to adopt information technology to accomplish this.

CHAMPION INVESTMENT

Limited investment opportunities and increased risk have made the investment climate less attractive. Investors need consistent signals from government that they support projects. If they don't signal their resolve, investments will go elsewhere.

INVEST IN CANADA'S FUTURE

Infrastructure investment cannot continue to be postponed. Trade-enabling infrastructure will be critical to kickstart Canada's post-pandemic economy.

HOW WESTAC WILL HELP

CONVENE

We play a convening role across sectors and governments. Our responsibility is to bring parties together and develop a common understanding of the events and issues that affect the business of transportation.

BROKER INFORMATION

We continuously gather critical industry research and findings to share with transportation stakeholders.

VOICE CONCERNS

We raise awareness of critical transportation issues and act as a catalyst to stimulate discussion and search for solutions.

ENGAGE

We bring individuals, transportation leaders and governments together, ensuring they're engaged and moving forward collectively to improve Western Canada's transportation industry.

TRANSPORTATION LEADERS CATALYZING CHANGE

WESTAC is a not-for-profit, non-partisan forum composed of leaders from the private sector, government and labour. Our members work together to resolve the constraints and inefficiencies that undermine the performance of Western Canada's supply chains and transportation sector. Trade continues to be a cornerstone of Canada's economic growth. Getting goods to markets reliably and competitively has never been more essential.



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