

March 10, 2023

Mr. Glen MacInnes  
Commissioner  
Office of the BC Container Trucking Commissioner  
1085 Cambie Street  
Vancouver, BC V6B 5L7

Dear Mr. MacInnes :

Re: 2023 Rate Review Recommendation Report, Proposals 1, 3, 4 and 5

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Thank you for the opportunity to provide feedback on the above proposals.

BC Trucking Association is a member-based, non-profit, non-partisan organization dedicated to advocating for and representing the commercial road transportation industry in BC. BCTA represents approximately 1,200 trucking and motor coach fleet members that operate over 13,000 commercial vehicles and employ over 26,000 British Columbians.

Proposals 1, 3, and 4

As these three proposals are focused on one aspect of the rate review exercise, and take the same approach, we thought it appropriate to address all three under one discussion.

BCTA members share the same goals as other parties in the drayage sector, creating an equitable, stable and competitive environment. We agree that part of stability is a pattern of rate adjustments that do not cause large changes in costs to customers. To this end, the proposals' collective premise of regular rate adjustments is welcome.

We believe it important to discuss first what the purpose of compensation (remuneration) is. At first review it may appear obvious, but it is critical to understand the purpose in context of the environment in which we operate. In a free market setting (with or without collective bargaining), compensation is used as a primary tool for employers to attract and retain employees. It must be structured in a manner consistent with the needs of employees to attract

and retain them to do the work employers are seeking to have done and must be at a level to accomplish this same goal.

When setting compensation, employers must be mindful of the environment they compete in. This includes not only monetary payment, but also broader working conditions including hours of work, physical work environment, leave provisions, extended health and retirement benefits, etc. The compensation offered must be competitive in the environment in which the employer seeks to recruit from, and not lose employees to.

Cascadia's report comparatives to other jurisdictions around North America is interesting from an academic standpoint but, in our view, is not helpful to addressing stability in BC's drayage sector. TLS companies do not recruit drivers from other jurisdictions, nor do they lose them to other jurisdictions. Attempting to compare positions in what are remarkably different environments is fraught with difficulty and does not consider other realities. Tax codes (provincial / state and federal) are remarkably different across all jurisdictions. Insurance costs, liability concerns, hours of work, leave provisions, and benefit provisions make analysis extremely difficult.

Unlike any other part of the trucking industry in British Columbia, employers in the drayage sector have no issue recruiting employees. The Cascadia report makes note of the I/O list openings in recent years and the abundance of applicants; it must be stressed that the 10 to 1 ratio of applicants to jobs illustrates clearly that compensation was not (and is not) a barrier to recruitment in BC's drayage sector. BC's drayage community competes for employees in BC. Comparisons should be made from that sector, not other jurisdictions as they have no bearing on recruitment and retention in BC.

While predictability and avoiding large adjustment is a important goal, we are concerned with the methodology of the proposals. The methodology proposed does not recognize the practical realities of operations in the sector, specifically the volume adjustments that we see from time to time (and are currently experiencing). We are also concerned that the automatic escalation will distort the collective bargaining process, a process critical to approximately 20% of the sector. And we are concerned that the underlying premise of the escalators creates an unsupportable and unsustainable expectation that rates will do nothing but continue to escalate indefinitely.

Historically, volumes in the drayage sector have grown incrementally over time. This can overshadow decreases and increases in volume over a shorter timeframe. We are currently experiencing a significant drop in laden and unladen loads into the terminals and throughout the industry, a trend that, given the restructuring of the forest sector in BC, is likely to continue. We are deeply concerned that automatic escalators based on broad indexes do not take into account realities that exist and will exist in the future.

The distorting effect that these escalators will have on the collective bargaining process must not be overlooked. The bargaining process requires diligence on the part of both unions and signatory employers engage in thoughtful, detailed processes to address mutual interests and devise effective solutions. The net effect of automatic escalators will distort that process, removing a key element that both parties leverage to advance their interests.

Fundamentally, the language in the proposals creates an underlying premise that rate increases will be cost of living plus. This, in our view, is unsupportable and unsustainable. It is simply not possible for any industry to absorb uncontrollable costs that cannot be mitigated as an ongoing manner of doing business. A regular evaluation, as we discuss below, is much preferable to automatic increases.

We believe what is required is a process that is noted in proposal 4, namely a “comprehensive review.” We believe a much more prudent and predictable process is to define a framework for rate review that is conducted every two years, with rates adjusted annually. Such a framework would include inflation, but also other factors such as market conditions, growth, technological advancement, incentives, and overall economic conditions. This is a robust, multi-factor approach that will lead to predictable, sustainable rate reviews.

We believe such an approach necessarily requires guidance from a company that specializes in compensation, outside the traditional scope of parties in the drayage sector. Developing a stable, predictable, fair and accurate and meaningful Compensation, as a Human Resource function, can best be developed by an organization that specializes in that function, and we encourage you to consider this approach. Parties would have ample opportunity for input individually, and it would also present a unique opportunity to hear from experts in the field as we work to develop a framework.

#### Proposal 5:

We have difficulty with the proposal 5’s stated purpose, namely “to ensure they are covering unexpected increases.” We suggest a more appropriate premise would be to state “unexpected impacts.”

When the PMR was instituted, we cautioned all parties – the commissioner’s office, UTA and unions – that the implementation would mean fewer trip rate moves and increased movement to hourly paid drivers. Within a very short period of time all parties noted this disruption with many trip rated drivers sitting idle until the incremental increase in volumes mitigated the impact. Any change can, and likely will, result in unanticipated consequences. To premise a proposal to limit examination of impacts to “increases” will not crate stability.

BCTA’s members recall the implementation of an ILU collective agreement provisions from decades ago where ILU members would be responsible for cross-loading containers. The

impact of this decision led to a precipitous drop in container traffic moving through the port and ultimately difficult changes to the provisions and re-structuring of the industry's rates. While proposal 5 does not assume that container volumes will continue to increase (or decrease), that innovative technologies will not have direct impact on the sector, the stated purpose is to add more cost to the system to address issues. Basing the proposal as a flag to "cover unexpected increases" is singular in its approach and not strategic. We suggest a more balanced approach is needed – reviewing the fuel surcharge and PMR to ensure they are functioning as intended and not causing distortions and disruptions in the sector, is a more sustainable approach.

Please do not hesitate to contact me directly should you have any questions or concerns, or if I can be of any further assistance.

Sincerely,



Dave Earle  
President and CEO  
BC Trucking Association  
M: 604-787-1335  
E: [davee@bctrucking.com](mailto:davee@bctrucking.com)

.Cc Steve Haywood, Executive Lead, Ministry of Transportation and Infrastructure