

Your way ahead



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MLA Janet Routledge
Chair of the Select Standing Committee on Finance and Government Services
Room 224, Parliament Buildings
Victoria, BC V8V 1X4
Via email: [REDACTED]

Re.: BC Trucking Association – BC Budget Submission

Dear Chairperson Routledge:

Thank you for the opportunity to provide input on the Province of British Columbia's 2022/2023 budget. I am making this submission on behalf of the BC Trucking Association (BCTA), a member-based, non-profit, non-partisan organization dedicated to advocating for and representing the commercial road transportation industry in BC. BCTA members include trucking companies hauling every type of freight, as well as charter and scheduled motor coach companies. BCTA represents approximately 1,200 trucking and motor coach fleets that operate over 13,000 commercial vehicles and employ over 26,000 British Columbians.

Our submission directly supports three of the Province's priorities, as follows:

- **Supporting Small Businesses Impacted by COVID-19:** 87% of BC trucking companies are small businesses operating five or fewer vehicles¹, and BCTA's COVID-19 Impact Surveys found that motor coach businesses are experiencing significant hardship with reduced revenue;
- **Making Life More Affordable:** Lowering commercial road transportation costs will ensure the reliability of the supply chain and the affordability of consumer goods; and
- **Protecting the Environment:** Supporting the reduction of greenhouse gas (GHG) emissions as medium and heavy-duty commercial vehicles account for approximately 50% of BC's total road transportation emissions.²

The BC road transportation industry is both a significant contributor to the provincial economy and a critical service provider supporting the quality of life British Columbians expect. Provincially, the industry generated approximately \$2.3 billion in revenue in 2020,³ transporting approximately 92% of all consumer goods (by weight) in Canada and 46% of our global trade.⁴ These figures only encompass "for-hire" trucking and exclude "private" trucking (i.e., companies that transport their own goods), which are roughly equivalent in size. Communities in BC benefit from the regular, reliable delivery of everything from fuel for their vehicles to groceries and other goods that are consumed or used daily. Increases or decreases in the cost of transportation directly affect the affordability of the goods being delivered via

¹ Ministry of Transportation and Infrastructure, 2019 National Safety Code data.

² BC Government, 2017 Provincial GHG Inventory.

³ Statistics Canada, *Gross domestic product (GDP) at basic prices, by industry, provinces and territories*. Table: 36-10-0402-01, 2020.

⁴ Transport Canada, *Transportation in Canada 2019: Statistics Addendum*. Table EC4, 2019

costs that are passed on to consumers. Trucking is a highly competitive industry, which guarantees that the end price of goods reflects these ups and downs in costs. One significant cost for both freight and passenger carriers is the investment required to ensure environmental sustainability for their fleets.

In BC, there are about 26,000 trucking companies that collectively operate nearly 40,000 trucks and employ over 34,000 people. 87% of these BC trucking companies are small businesses operating five or fewer vehicles,⁵ or alternatively, only 22 of these companies employ 100 or more employees.⁶

Government Priorities: Supporting Small Businesses Impacted by COVID-19

The impact of COVID-19 on the commercial road transportation industry has been significant. BCTA has surveyed our members to determine how they have been impacted by COVID-19 between March 2020 and June 2021. We have found that while the trucking industry represents an essential service providing supplies such as food, fuel, and medical equipment, it has not been immune to this crisis. BC's motor coach businesses have been particularly devastated by the restrictions on non-essential travel and the shutdown of tourism, the cruise ship industry, and events. Many their commercial vehicles are parked, and these businesses, many of which are small businesses, are severely strained.

BCTA's COVID-19 Impact Survey indicated that motor coach companies experienced a 96.8% drop in revenue in May 2020. That level has not significantly improved, as data from our eighth COVID-19 Impact Survey in June 2021 indicated that motor coach businesses experienced an 88.4% drop in revenue when compared to revenue in June 2020. 60% of respondents reported they were uncertain about their ability to stay in business if these conditions continue. Another concerning factor is the pace of economic recovery in this sector, which our members anticipate being slow at 14.7 months. Approximately 80% of motor coach companies continue to support government measures to "flatten the curve" of COVID-19 cases, a level relatively consistent throughout the BCTA COVID-19 Impact Surveys.

BCTA appreciates the support being provided by the provincial government for BC businesses such as the BC Small and Medium Sized Business Recovery Grant and BC Major Anchor Attractions Program, however we urge the government to continue financial supports to help motor coach companies restart normal operations once all COVID-19-related measures are lifted.

Government Priority: Supporting the Environment

Medium- and heavy-duty (MHD) commercial vehicles are responsible for approximately 50% of GHG emissions from BC's road transportation sector. According to the Insurance Council of British Columbia (ICBC), approximately 60,000 heavy-duty vehicles (>11,794 kg GVW) and 156,000 medium-duty vehicles (>4,527 KG, <11,795 kg GVW) that support goods movement are ICBC commercially insured in BC.

However, with our sector transporting 92% of all consumer goods in our province, over the past decade BC's transportation sector grew by an average of 4,049 MHD vehicles each year. The principal cause for growth in our sector is directly attributed to two factors:

- Growth in BC's population by approximately 580,000 over this period; and

⁵ Ministry of Transportation and Infrastructure, 2019 National Safety Code data.

⁶ WorkSafeBC data.

- Growth in e-commerce, which realized a 58% increase of average number of online purchases from 2016-2018 and a 26% increase in freight being delivered to major cities.⁷

As a result of this growth, GHG emissions from BC's transportation sector grew by 27% over the past decade (2007-2018), and BCTA modelling is forecasting growth of 17.3% by 2030.

Unfortunately, there are no simple solutions to reducing emissions from the commercial road transportation sector. While significant progress has been made to reduce passenger vehicle emissions, this is not the case for heavy-duty vehicles as heavy-duty zero emission vehicle (ZEV) options remain in very early development. While we are beginning to see more zero- and near-zero emission commercial vehicles becoming available in the light- to medium-duty and bus / coach ranges, zero emission and near-zero emission heavy-duty vehicles (Class 7 and 8) remain scarce with very few, if any, options available for order today. Although we are pleased that limited range (~400 km) and test projects piloting these vehicles have begun in BC this year, permanent delivery of pilot / initial units will not commence until 2022 with no significant availability until 2023. This means programs such as the CleanBC Heavy-duty Vehicle Efficiency Program, which in its first two years has been successful in removing the equivalent of 8,808 passenger vehicles off our roads across North America, is critical to supporting our collective actions to address the climate emergency.

Notwithstanding the challenges related to ZEVs, the provincial government can directly influence emissions from heavy-duty commercial vehicles by:

1. Continuing the CleanBC Heavy-duty Vehicle Efficiency Program for a minimum of three additional years with increased funding of \$3.5 million annually (from \$1.4 million),
2. Addressing road congestion via infrastructure improvements, and
3. Addressing the age of commercial vehicles.

1. CleanBC Heavy-duty Vehicle Efficiency Program

The BC Trucking Association (BCTA) partnered with the BC Ministry of Transportation and Infrastructure (MoTI) in 2019 to provide the CleanBC Heavy-duty Vehicle Efficiency Program. The Province has committed \$1.4 million annually, for up to three years, for investment in this Program. BCTA is administering the Program on behalf of the Province.

The CleanBC Heavy-duty Vehicle Efficiency Program consists of two components: a half-day course and an application-based incentive offering that provides rebates on qualifying fuel-efficiency equipment. CleanBC Heavy-duty Vehicle Efficiency Program Course sessions are offered online and in select locations across BC, subject to public health orders and guidelines related to COVID-19. Participating in and passing the course is a pre-requisite for any company applying for CleanBC Heavy-duty Vehicle Efficiency Program Incentives.

The purpose of this Program is to support the reduction of heavy-duty on-road commercial vehicle GHG emissions in British Columbia. This is achieved through available techniques and proven technology that

⁷ Pembina Institute. *The next frontier for climate action, Decarbonizing urban freight in Canada*. February 2020, updated July 2020

reduce fuel consumption until viable near-zero or zero-emission long-range heavy-duty vehicle options are available (i.e., market tested to demonstrate reliability for BC's topography and climate and priced comparatively to conventional options).

Since the launch of the Program on October 30, 2019, BCTA estimates the impact of the Program to have removed the equivalent of 8,808 passenger vehicles across North America. Over the two years, BCTA has trained 259 participants across 219 companies. Combined these companies represent 27,751 heavy duty commercial vehicles – roughly equivalent to the total BCTA member fleet size.

In year one of the Program, we helped reduce our sector's emissions by 13.9 million kilograms of carbon dioxide (CO₂) across the province, equivalent to removing 2,953 passenger vehicles from BC roads. In year two, we trained an additional 122 participants and received double the number applications for incentive funding. Initial data GHG modelling shows the cumulative effect of the Program has accelerated to an annual reduction of 18.7 million kilograms of CO₂, which is equivalent to removing nearly 4,000 passenger vehicles from our roads. In the second year of this Program, we received \$3.1 million in applications for incentive support, greatly exceeding the program's \$1.4 million available funding. The requested \$3.1 million of funding made by program participants represents a proposed investment by carriers of over \$10.3 million in GHG emission reduction technology, a significant investment in economic activity spread throughout the province.

In light of the overwhelming success of this Program, BCTA is requesting support from the Province to extend the Program for a minimum of three additional years (years 4, 5, and 6) with increased funding of \$3.5 million annually.

2. Infrastructure Improvement Request

Improvements to provincial infrastructure play a critical role in reducing GHG emissions from BC's road transportation sector, while at the same time making roads safer for all users. For example, a government-conducted traffic analysis on the Highway 1 segment immediately west of 264 Street in Langley found the traffic congestion on this highway segment results in 1.2 million hours of delays for commuters, commercial traffic, and tourists annually. The daily traffic volume in this corridor is extremely high at more than 80,000 vehicles. Of these vehicles, about 6,000 are commercial trucks carrying goods and cargo that are vital to the provincial economy and Canada's Asia Pacific Gateway. When these goods are stuck in traffic, there are significantly higher transportation related GHG emissions and costs, resulting in more expensive goods for BC consumers.

Based on ICBC statistics, the number of crashes along the Highway 1 corridor between Langley and Chilliwack doubled from 510 total crashes in 2015 to 1,100 total crashes in 2017. A major contributing cause of this increase is attributed to congestion due to a lack of infrastructure capacity.

Moreover, this segment of highway has several physical barriers that restrict the size (i.e., height) of the vehicles and freight it can accommodate. BC ports serve as the Pacific Northwest's major consolidation centre for breakbulk cargo such as forest products, steel, and machinery. However, Highway 1 height clearance issues impede breakbulk cargo transportation through BC ports, either for export or import. They are a contributing factor in diverting as much as 85% of imported project cargo loads (i.e., over-dimensional loads requiring permits) destined for western Canadian provinces to US ports, mostly to the Port of Houston. Transit of these shipments through US ports can add up to 14 extra days at sea (for

goods originating from Asia) and another 15 extra days by land, resulting in a significant and unnecessary increase in transportation related GHG emissions. Furthermore, due to the underpass height obstructions along Highway 1, such as the Glover Road Underpass (4.41 m), Trinity Rail Underpass (4.3 m), 232 St. Underpass (4.45 m), 248 St. Underpass (4.52 m), and 264 St. Underpass (4.6 M), oversized loads travelling through BC are required to navigate through municipal and residential roads.

BCTA regularly surveys its members to identify the top infrastructure priorities for BC's commercial road industry. Based on our 2021 Infrastructure Priorities Survey, BCTA requests that the government consider the following infrastructure improvements in its upcoming budget:

- Six-laning Highway 1 from 264 St. in Langley to Hope, to accommodate current and future road demands in a manner that promotes road safety and efficient movement of people and goods;
- An additional berth at the BC Ferries Duke Point Terminal to provide increased commercial capacity on sailings between Nanaimo and Tsawwassen;
- Improve and add rest areas that accommodate commercial vehicles throughout BC, which are crucial to the health and safety of all drivers;
- Replace the George Massey Tunnel with a structure that has capacity to safely meet future demand and accommodate goods movement, including dangerous goods;
- Upgrade the Brunette Interchange by separating the main crossing of Highway 1 into two corridors for local vs. regional/provincial traffic and increasing all height clearances to at least 6 m; and
- In support of the movement of oversized loads and opening up western Canada's trade competitiveness, ensure that all provincial infrastructure projects be built to the following standards:
 - All overpasses be upgraded to a minimum height clearance of at least 6m, and bypasses be installed to allow oversized vehicles to remain on the provincial road network; and
 - All by-passes and roundabouts be built to accommodate oversized vehicles, including but not limited to turnpike double long combination vehicles which have the potential to reduce GHG emissions by up to 41%.

3. Commercial Vehicle Age

The level of emissions from heavy-duty trucks is determined by engine and fuel standards set and enforced by the federal government. As the vast majority of trucks in Canadian fleets are manufactured in the United States for the US market, Canadian standards closely mirror US standards. Aggressive emission reduction targets were set for truck model years (MY) 2004, 2007 and 2010 by the US Environmental Protection Agency and harmonized in Canada by Environment and Climate Change Canada. The initial emphasis was on reducing "smog," including pollutants such as nitrogen oxides (NOx), particulate matter (PM) and hydrocarbons (HC) from heavy trucks. Through sophisticated emission control systems, heavy trucks today produce virtually smog-free exhaust.

While aggressive emission-reduction targets set by the US and Canadian governments were successful in virtually eliminating smog emissions from heavy trucks, the irony is that these reductions came at both an environmental and financial cost. The technology developed to meet the 2007 and 2010 emission

standards increased the average purchase price of a truck by about \$12,000,⁸ which, when coupled with the higher fuel consumption of these vehicles, translates directly into higher operating costs. Additional unintended, negative consequences included engine reliability issues that, on average, resulted in seven additional days of downtime annually for unanticipated repairs (relative to pre-2007 trucks) and cost companies \$4,300 per truck per year.⁹ Higher regular maintenance costs added another \$1,900 per truck per year. On top of that, the emission control devices increased the tare (i.e., empty) weight of a truck by roughly 400 kg (reducing payload capacity by an equivalent amount), and cost industry another \$2,650 per truck per year in foregone productivity. The total increase in operating costs of a 2010 or newer “smog-free” truck is approximately \$8,850 per truck per year, or \$71 million per year for the entire fleet of 2010 and newer trucks in BC.¹⁰

Vehicle reliability of a “smog-free” MHD vehicle was not achieved until model year (MY) 2016. However, the vast majority of vehicles on BC’s roads are older than MY 2016. The average MY of a heavy-duty vehicle operating in BC is 2008, and the average for medium-duty vehicles is 2009.¹¹ Of interest, approximately 10% of BC’s commercial vehicle fleet are pre-2006 and therefore are not only emitting between 4 to 6% more GHG emissions than fleets made up of 2017 or newer model years, but also have little-to-no emission control for harmful smog emissions.

BCTA therefore requests government support for the commercial road transportation industry in reducing its environmental footprint by taking steps to accelerate fleet turnover, specifically by providing a PST credit/exemption, similar to the one provided for Production Machinery and Equipment, for MY 2017 and newer heavy-duty trucks (i.e., defined by MoTI as a vehicle weighing 11,795 kg or more) and motor coaches. Trucking is a significant contributor to GHG emissions, and incentives from PST exemptions would be crucial to assisting the BC Government to meet its climate objectives. This initiative would recognize that MY 2017 and newer vehicles are not only smog free but more fuel efficient, with substantially lower GHG emission intensity than its predecessors.

In summary, BCTA requests support from the provincial government to support small businesses throughout the province, make life more affordable for British Columbians, invest in provincial infrastructure, and help the trucking industry reduce its GHG emissions by:

- Continuing financial supports for small businesses impacted by COVID-19;
- Investing in infrastructure improvements that reduce traffic congestion and stop-and-go traffic movements and encourage/allow for the most direct routing possible;
- Extending the CleanBC Heavy-duty Vehicle Efficiency Program partnership between the Province and BCTA for an additional three years (years 4, 5, and 6) with increased funding of \$3.5 million annually, and
- Promoting accelerated turnover of heavy commercial vehicles, including both trucks and motor coaches with a gross vehicle weight of 11,795kg or more, to MY 2017 and newer by providing a PST input tax credit/exemption.

⁸ Canadian Trucking Alliance (2015). *Considerations for a Made in Canada Phase II GHG Regulation for Heavy Trucks (Draft - August 2015)*.

⁹ J.D. Power & Associates (2011). *U.S. Heavy Duty Truck Engine and Transmission Study* and BC Trucking Association (2014). *Modern Engine Emission Control Technology and Its Impact on Productivity and Operating Costs in the Trucking Industry*.

¹⁰ Ibid.

¹¹ Insurance Corporation of British Columbia, 2019 Commercial Fleet Insurance data.

If you require additional information, please contact me or BCTA's Vice President, Cory Paterson at CoryP@BCTrucking.com or 604-888-5319.

Sincerely,



Dave Earle
President and CEO

cc.: Honourable Selina Robinson, Minister of Finance
Honourable Rob Fleming, Minister of Transportation and Infrastructure
Honourable George Heyman, Minister of Environment and Climate Change Strategy
Honourable Bowinn Ma, Minister of State for Infrastructure
Kaye Krishna, Deputy Minister of Transportation and Infrastructure
Heather Wood, Deputy Minister of Finance
Kevin Jardine, Deputy Minister of Environment and Climate Change Strategy