WESTAC COMPASS REPORT

2018 EDITION

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LEADER SURVEY HIGHLIGHTS

WHAT IF OUR GREATEST OPPORTUNITY IS OUR GREATEST THREAT?

NAVIGATING WESTERN CANADA'S SHIPPER & TRANSPORTATION LANDSCAPE

WHAT WE ASKED THE COMPASS SURVEY RESPONSES REPRESENT PERSPECTIVES OF BUSINESS, LABOUR AND GOVERNMENT LEADERS ON THE MOST PRESSING RISKS AND OPPORTUNITIES IN THE TRANSPORTATION INDUSTRY TODAY. THIS INAUGURAL SURVEY IS A BENCHMARK OF BUSINESS INDICATORS THAT WE WILL TRACK ANNUALLY.

THE SURVEY HAS BEEN ORGANIZED BY:

A: BUSINESS CONFIDENCE & ECONOMIC OUTLOOK
B: WESTERN TRANSPORTATION OUTLOOK
C: PRIORITIES FOR WESTERN TRANSPORTATION

WHAT WE HEARD THE SURVEY REVEALED THAT THE ECONOMIC OUTLOOK FOR THE INDUSTRY AS A WHOLE IS POSITIVE. IT ALSO UNDERSCORED THE FACT THAT TRANSPORTATION EXECUTIVES BELIEVE THE INDUSTRY'S HEALTH AND CONTINUED COMPETITIVENESS REVOLVES AROUND THE THREE "Cs" — COMMUNICATION, COLLABORATION AND CAPACITY.

A:

BUSINESS CONFIDENCE & ECONOMIC OUTLOOK

?

We asked executives to share their forward-looking views on economic activity, investment intentions, employment and production capacity. These measures gauge how optimistic the sector is about the economy in 2018.

There is an optimism gap between shippers and carriers (% of respondents who believe revenues will increase).

Ports and terminals are ready to invest (% of respondents who anticipate higher capital investment over 2017).

TOP BUSINESS CHALLENGES FOR 2018

1. US TRADE

Concerns about US trade protectionism and the future of NAFTA topped the chart.

2. REGULATORY PROCESS

Ensuring timely, fact-based government review processes ranked a close second.

COMMUNITY OPPOSITION

Leaders are equally concerned about the public attitude to resource development & progress on transportation infrastructure.

LABOUR & SKILLS SHORTAGES

Almost 1 in 2 businesses will face shortages that will hamper their ability to meet demand.

3.

4.

DOING BUSINESS IN CANADA IS INCREASINGLY FRAUGHT WITH COMPLEX CHALLENGES RELATED TO THE DELIVERY OF MAJOR PROJECTS AND INFRASTRUCTURE.

TOP THREE SOLUTIONS FOR OVERCOMING COMMUNITY OPPOSITION TO DEVELOPMENT

1. Educate the public on issues of shared economic benefit, social impact and environmental responsibility.

2. Demonstrate transparency about projects.

3. Engage communities in the early planning stages of projects.

74%

of respondents said better co-operation between all levels of government and agencies to clarify roles and responsibilities would improve the regulatory and review process.

WHAT THIS MEANS

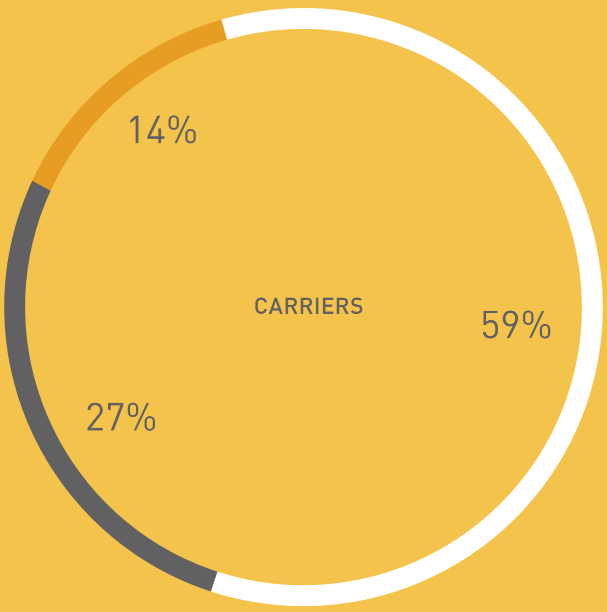
A more certain investment climate is essential to maximize Western Canada's advantages while addressing the concerns of affected parties. Evidence-based decisions and sound leadership will be critical success factors.

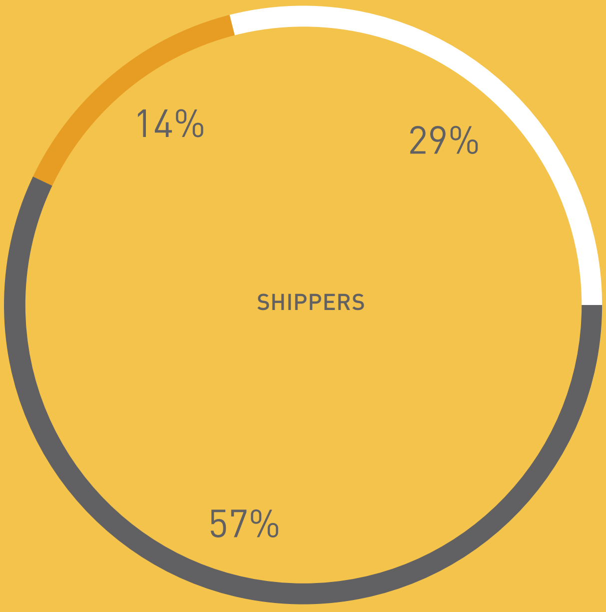
B:

WESTERN TRANSPORTATION OUTLOOK

To build industry-specific understanding, we asked executives to share their views on operational trends, risks and opportunities to gauge industry performance.

Reliability reigns supreme for shippers, while carriers are more focused on cost control. Continued efforts to improve supply chain efficiencies, reduce costs and implement value-added services will benefit both shippers and providers of transportation services.





(% of respondents citing each requirement as being the most significant).

TRANSPORTATION COSTS

CARGO VELOCITY & RELIABLE DELIVERY

OTHER

TOP TRANSPORTATION CHALLENGES FOR 2018

1. Transportation infrastructure and capacity constraints
2. Trade environment — markets and customers
3. Western Canada's supply chain competitiveness/ performance

40%

MORE THAN 40% OF RESPONDENTS ARE CONCERNED ABOUT TRANSPORTATION INFRASTRUCTURE & CAPACITY CONSTRAINTS. THIS IS THE HIGHEST-RANKING CONCERN ACROSS ALL SECTORS — SHIPPERS, CARRIERS, PORTS AND TERMINALS.

STAKEHOLDERS ACROSS CANADA WANT BETTER ACCESS TO TRANSPORTATION DATA.

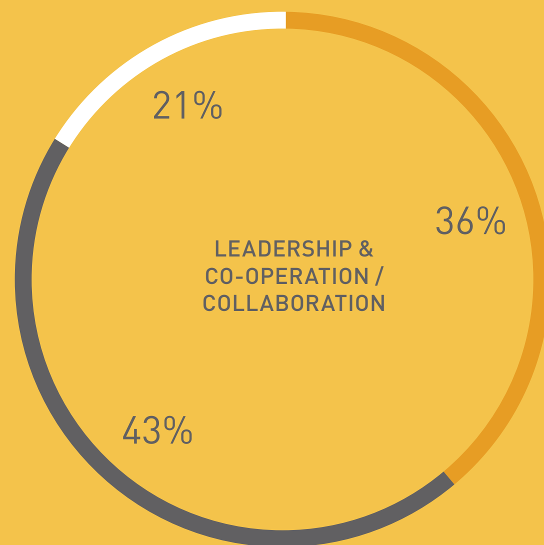
Respondents are aware that data collection and analysis are important strategic tools for today's transportation industry, and that competing jurisdictions are making use of it. Another concern: Canada is falling behind and system-wide solutions are needed.

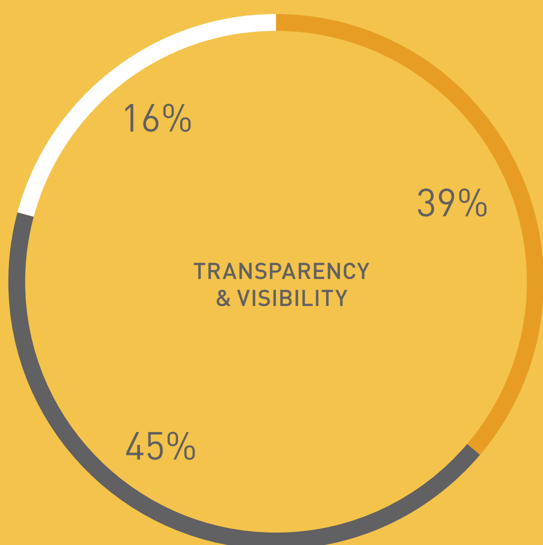
> "DATA SHARING AND COLLABORATION INITIATIVES ARE GETTING STRONGER BETWEEN PARTNERS, BUT EFFORTS TO OPTIMIZE ACROSS THE ENTIRE SYSTEM ARE COMPROMISED BY SELF-INTEREST AND COMPETITION."

SURVEY RESPONSE

THERE IS ROOM FOR IMPROVING PERFORMANCE ON DATA: BETTER TRANSPARENCY & VISIBILITY, BETTER COORDINATION BETWEEN PARTNERS AND BETTER LEADERSHIP & CO-OPERATION.

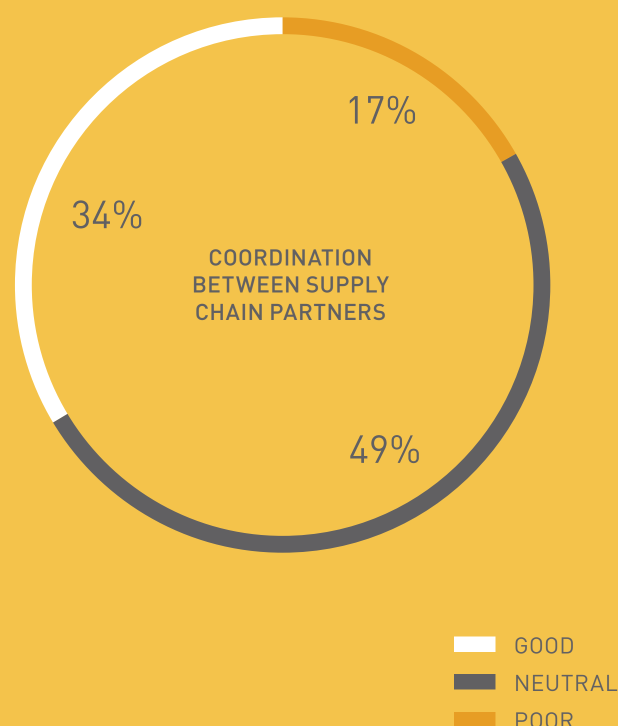
Many respondents felt the federal government is in the best position to continue working on this area. But there was no consensus on leadership, on what data should be collected, or on what the goals of a more coordinated data management system should be.





WHAT THIS MEANS

"Canada is lagging in developing accessible, and useful multimodal transportation statistics for effective analysis and decision-making", according to the 2016 CTA Review. A comprehensive view of the transportation system and end-to-end supply chains will allow quicker, more effective responses to the problems affecting it.




C:

PRIORITIES FOR WESTERN TRANSPORTATION

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Finally, we wanted executives to identify the "top-of-mind" ways to improve the performance of the sector.

We asked three open-ended questions:

WHAT IS THE GREATEST OPPORTUNITY?	**WHAT IS THE GREATEST RISK?**	**HOW CAN WESTAC HELP?**

HERE'S WHAT WE FOUND:

OUR GREATEST OPPORTUNITY IS OUR GREATEST THREAT: COMPETITIVENESS.

IF WE DON'T IMPROVE COMPETITIVENESS THROUGH ENHANCED COLLABORATION, COMMUNICATION & CAPACITY, WE COULD LOSE A SIGNIFICANT MARKET OPPORTUNITY. STATUS QUO IS NOT AN OPTION.

There is room for improvement: more than 40% of survey respondents rated the overall competitiveness of Western Canada's supply chains as neutral.

WHAT THIS MEANS

Failure to expand the capacity of the western transportation system in a timely manner threatens Canada's future prosperity because this system enables trade in goods and services valued at more than 20% of the nation's GDP.

TAKE-AWAY MESSAGES

“CONTINUING TO COLLABORATE TO CREATE CAPACITY AND FURTHER OPTIMIZE WESTERN CANADIAN SUPPLY CHAINS FASTER AND BETTER THAN COMPETING SUPPLY CHAINS IS ESSENTIAL.”

SURVEY RESPONSE

USE THE FORUM

Stakeholders said they need WESTAC to create and facilitate opportunities for dialogue and collaboration to find creative solutions to multi-faceted problems.

DATA, AN UNKNOWN

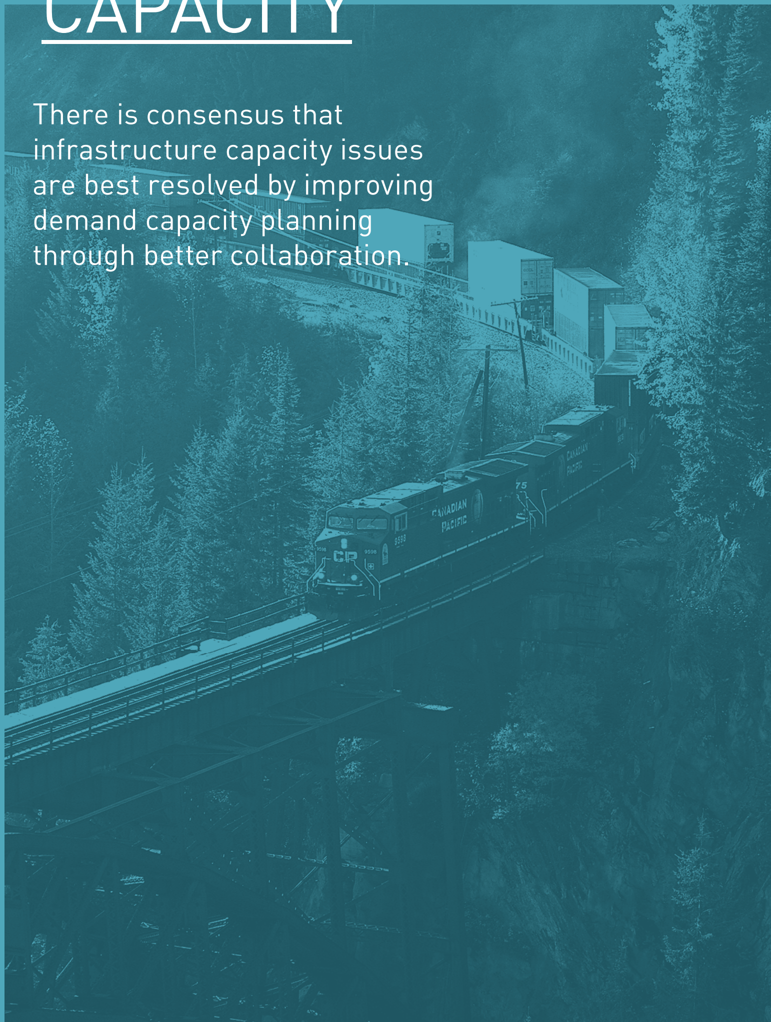
The role and use of data continue to be big unknowns: all parties want data to increase transparency, reliability and performance, but no one is sure who should be responsible or what needs to happen.

SILOS REMAIN

The industry remains siloed, with discrepancies in views on concerns and priorities between shippers and service providers in almost all areas.

COLLABORATION INCREASES CAPACITY

There is consensus that infrastructure capacity issues are best resolved by improving demand capacity planning through better collaboration.



EXTERNAL FORCES DOMINATE

Respondents cited regulatory process and community opposition to resource and transportation infrastructure as top challenges. Many in the sector would not have named these as issues even a few years ago.

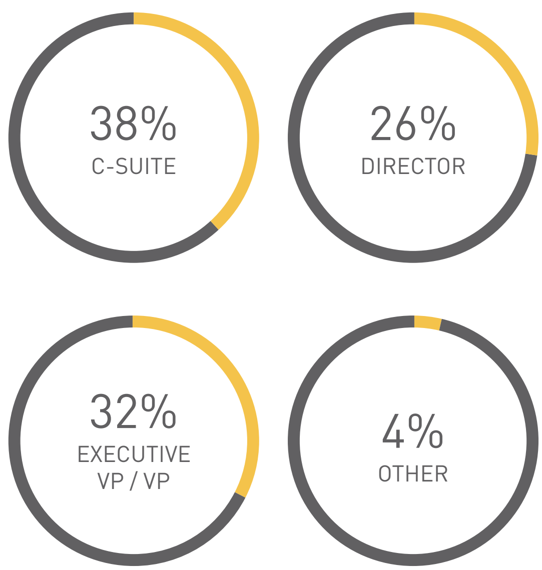
ABOUT THE SURVEY & WESTAC

This Compass Report is WESTAC's first annual survey of members (52%) and non-members (48%). Carried out from October 5 to 18, 2017, the survey provides a storehouse of information to convey the perspectives of transportation leaders across Canada to decision-makers in the transportation industry and in policy as well as to the public.

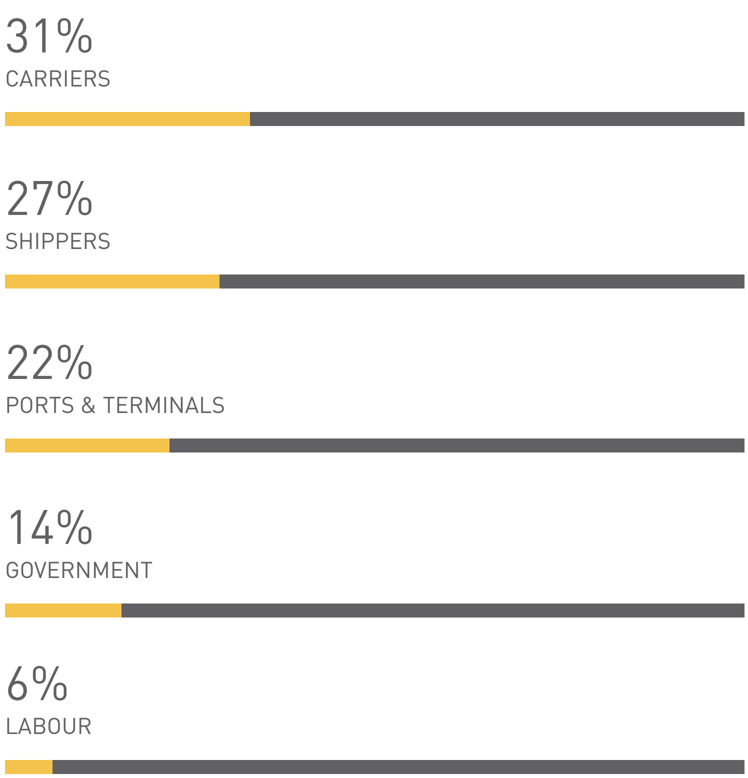
For over four decades, WESTAC has been Western Canada's premier transportation forum. We are the only non-partisan industry association that unites business, labour and government in discussions, debate and resolution of challenges impacting Canada's gateways, corridors and supply chains.

WESTAC's 50+ member organizations span the modes and sectors of surface and water transportation: carriers and logistics providers, ports and terminals, shippers, labour unions and the three levels of government. WESTAC's members include the largest railways, ports and commodity shippers in the country and represent a significant share of the Western Canadian economy. WESTAC recognizes that the region's transportation system is of national significance, as a foundation of economic growth, national connectivity and strength.

A DIFFERENT APPROACH: WE SURVEYED DECISION-MAKERS & REPRESENTATIVES FROM ACROSS THE SECTOR



Other includes board members and managers.


31%
CARRIERS
27%
SHIPPERS
22%
PORTS & TERMINALS
14%
GOVERNMENT
6%
LABOUR

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