



WESTAC COMPASS REPORT

LEADER SURVEY HIGHLIGHTS

2022

WE HEARD FROM:



Carriers & Logistics Providers: **31%**



Ports & Terminals: **27%**



Shippers: **17%**



Government: **11%**



Labour: **5%**



Others: **10%**

ABOUT THE COMPASS REPORT

The annual *Compass* survey is a unique WESTAC product that highlights critical insights, expectations and plans articulated by leaders and executives of Western Canada's transportation sector. We revise the survey annually to reflect shifting trends and events while building on data from previous surveys.

Data in this report is identified by the year in which it was gathered. The *2022 Compass Report* is the 5th annual report. The data reported were gathered from an online survey conducted from September 8 to 25, 2021. Figures have been rounded up or down to the nearest digit.

EXECUTIVE OBSERVATIONS

With the publication of its fifth annual *Compass Report*, WESTAC has reached a milestone. Five years of polling provide a substantial dataset we can now use to evaluate the changing attitudes and priorities within Canada's supply chains. It offers unique insights and network-wide intelligence from decision-makers and policy-makers at the most senior levels.

The perspectives shared in the survey were coloured by the COVID-19 pandemic again this year. It showed us that no institution or individual alone could address the complex and interdependent economic, environmental, social and technological challenges that characterize our world today. The pandemic has accelerated systemic changes that were becoming apparent before its inception. The challenges that emerged in 2020 are now at a critical crossroads, and the time to collaborate and make crucial decisions is now. There is an urgent need to reset priorities and reform systems, so they are positioned for strength and sustainability.

This year's survey contained signs of optimism. The business environment outlook is almost twice as positive as last year's, with more organizations looking to increase their workforces now than in any previous year. Although the business investment climate is brightening, it is not seen to be markedly improving. Insufficient capacity and aging infrastructure remain the top transportation challenges. The ability to address these problems is hindered by regulatory uncertainty and lack of coordination.

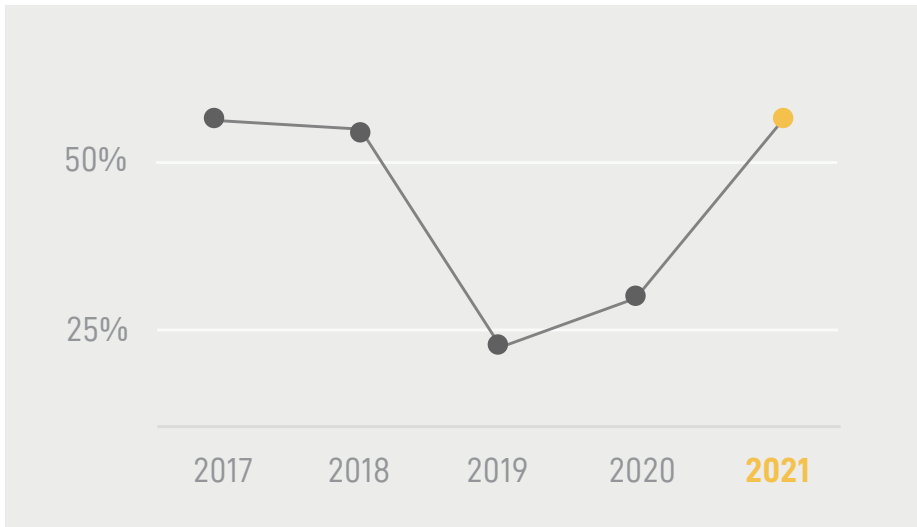
It is essential for leaders from all segments of the industry to work together for a more collaborative, cohesive, and sustainable future. Four in 5 executives surveyed indicated that a new comprehensive strategy should be developed for Western Canada's trade corridor.

For almost 50 years, WESTAC has served as a trusted platform where leaders from business, government, and labour convene to address critical issues. Given the need for cohesion and continued progress, it is clear that our role remains more important than ever.

Leaders are **optimistic about 2022**

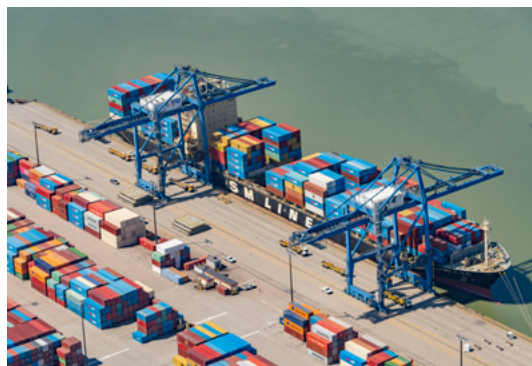


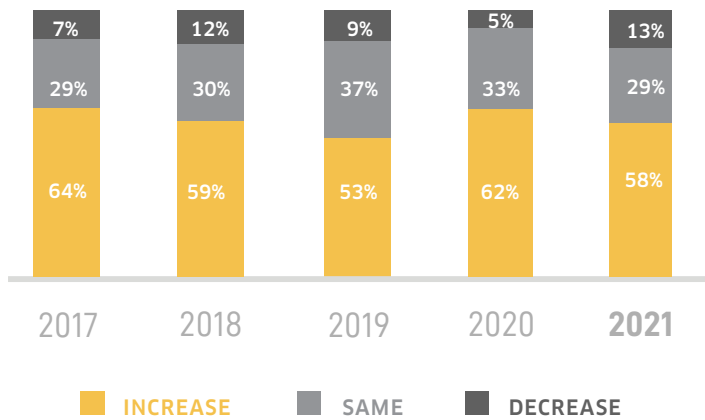
The outlook on the overall business environment has rebounded over the past year.



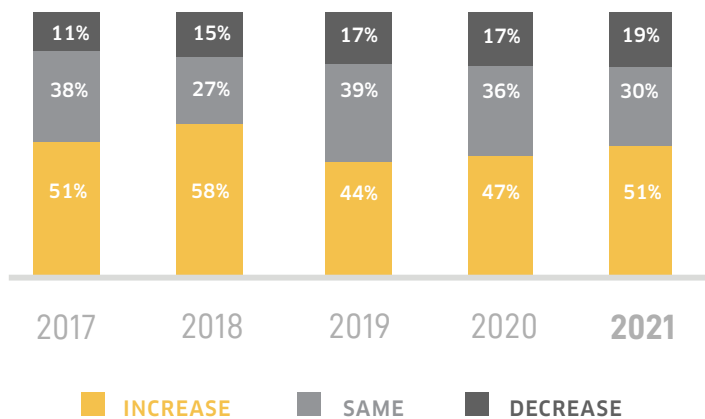
This year's **business environment outlook** is almost **twice as positive** as last year's and has nearly returned to the high levels of optimism that we saw 5 years ago.

The more positive outlook reflects increasing vaccination rates and decreases in the pandemic restrictions that hindered economic performance.

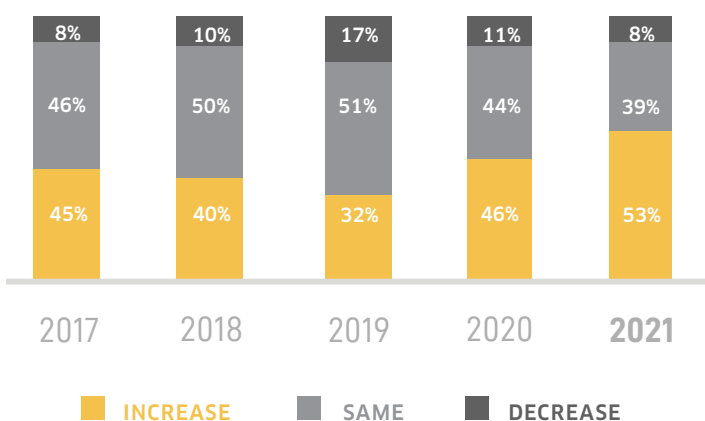




More than half of the organizations anticipate **revenue growth** in the next year, while only 1 in 10 expect a decrease.

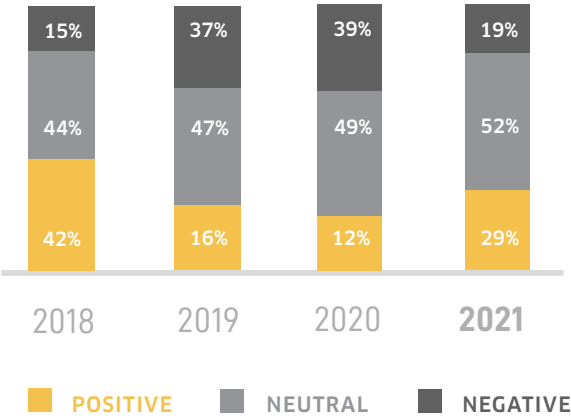


While some fluctuations can be observed, **capital spending** has been on an upward trend over the past 3 years.

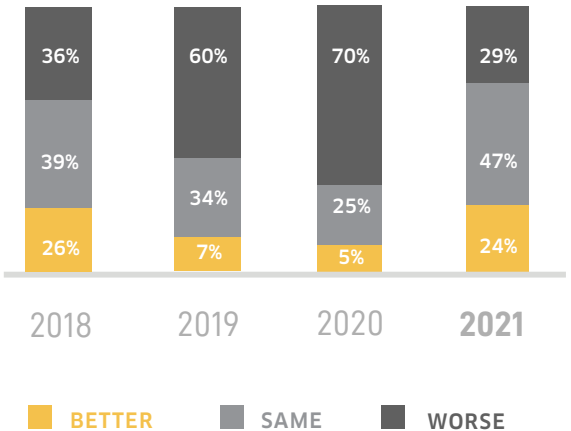



There are more organizations looking to increase their **workforces** now than in any previous year.

Leaders' views on Canada's **investment climate** have brightened, but have not rebounded to the level seen in 2018.



Nearly half of respondents believe the investment climate **has not improved** over the past year.





“ COVID-19 challenges continue to affect Canada’s business climate. Also, the effects of inflation and rising government debt are keeping the Canadian economy from recovering more quickly. ”

– RAILWAY

“ There is not a lot of movement with respect to regulatory hurdles in advancing projects in Canada versus other countries. We are not competitive enough to meet expected returns and timelines. Further, there is continued division within the country regarding natural resources and supporting made-in-Canada solutions. ”

– MARINE CARRIER

“ The same challenges of the past remain: port governance modernization remains unsolved, government regulatory processes continue to have moving goalposts, and Indigenous reconciliation has still not meaningfully advanced. ”

– TERMINAL OPERATOR

“ [The investment climate] could be excellent, but is held back by political uncertainty and the lack of qualified Canadian labour. ”

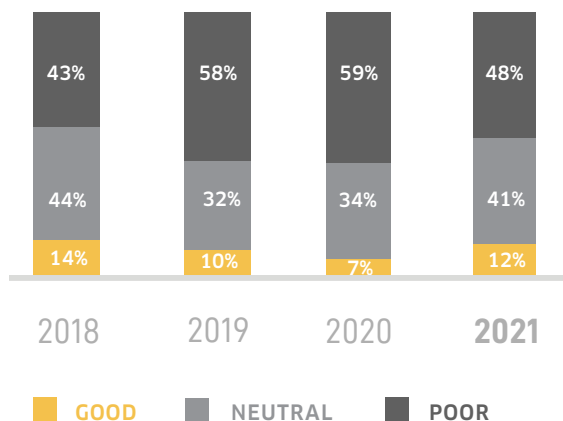
– LOGISTICS PROVIDER

“ I think it is very much a wait-and-see attitude at the present time among investors looking for growth potential. There has been a lack of confidence in the international community for major project investments for the past few years. ”

– PORT AUTHORITY

Industry leaders continue to perceive the **regulatory environment** negatively.

Half (48%) of the industry leaders rate the overall regulatory environment in Canada as poor.



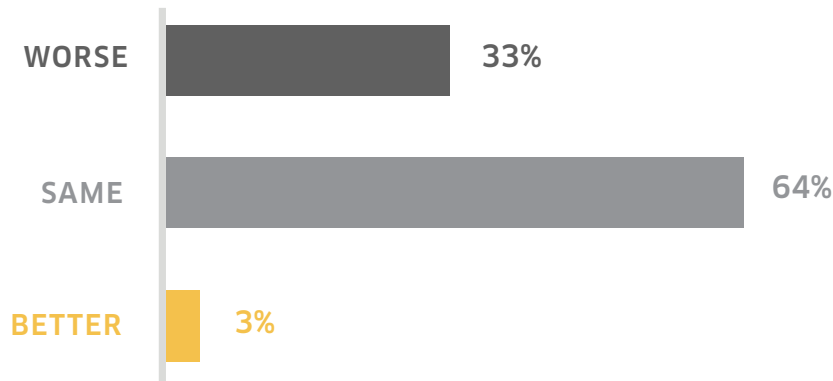
“ Regulatory processes change without explanation or recognition of the impact to competitiveness. There is a lack of government position on strategic priorities. ”

– **PORT AUTHORITY**

“ There is no cooperation between the provinces. We are in the transport business, and every province has a different set of rules, making it expensive to operate. This has not changed over the years despite the recognition that we need this change, especially with supply chain issues between the railways, ocean liners and ports. ”

– **LOGISTICS PROVIDER**

While more than **3 in 5 respondents (64%)** believe that the regulatory environment has remained unchanged over the past 12 months, a third (**33%**) say it has worsened, fuelling a downward trend in perceptions of the regulatory environment overall.



“ The regulatory environment has not responded to the climate change emergency and is stuck in a late-20th-century model of regulation. The case for urgent updates and reorientation is clear. ”

– **LABOUR**

“ The current regulatory approval process for all sizes of projects, especially in BC, has businesses looking elsewhere to spend their capital. Recent projects have taken 10 years to get approved, and with the new layer of approvals required from First Nations, it is unclear how this will be managed, creating uncertainty. Government has to find a way to enhance growth, not just get in the way of it. ”

– **MARINE CARRIER**



Most of the prior challenges—economic slowdowns, commodity price risk, trade tariffs/protectionism, political risk/uncertainties, and globalization—have been eclipsed by more pressing issues. Challenges that were created and amplified by the pandemic loom larger in the respondent's mind.

TOP 5 BUSINESS CHALLENGES

1

COVID-19

Two thirds of respondents (down from 80% last year) are concerned about the lingering effects of the pandemic and when things will return to “normal.”

2

BUSINESS DISRUPTIONS

Executives are increasingly concerned about the effects of disruptors on business operations such as blockades and extreme climate events.

3

LABOUR SHORTAGES

More than 3 in 5 organizations (63%) are facing some labour shortages—the largest number in the past 4 years.

4

REGULATORY / LEGISLATIVE CHANGES

Uncertainty about regulatory processes, costs and timeliness continues to inhibit business investment and competitiveness.

5

CLIMATE CHANGE

For the first time, survey respondents have identified climate change as a top challenge. Wildfires, droughts and other catastrophic weather events have tested carriers’ abilities to move goods.

Spotlight on the **COVID-19** pandemic

In keeping with being the top business challenge, the COVID-19 pandemic has had a major impact on Western Canada's supply chains.

45% of survey respondents said they believe COVID-19 has had a **significant or critical impact on supply chains overall**, double the number who felt this way last year.

35% believe that the impact of COVID-19 on supply chains was moderate.

“ COVID-19 remains a major issue that all organizations and governments are grappling with. Although adaptive and mitigating measures have been undertaken, its impact on daily life remains widespread. ”

– **PORT AUTHORITY**

“ The pandemic has affected the timeliness of deliveries, predictability and costs, but also the fundamental supply chain business model. ”

– **INDUSTRY EXPERT**

“ COVID-19 has had a significant impact on supply chain resilience versus lean logistics and just-in-time models of supply chain management. Sourcing networks are being reviewed at the foundation. ”

– **LOGISTICS PROVIDER**

“ In the face of COVID-19, there is still strong consumer demand and an expectation of government stimulus to restart the economy as it opens up after pandemic lockdown measures. However, this should be tempered with inflationary concerns and swelling government debt. ”

– **SHIPPER**

Sustainability emerges as a priority



Sustainability is top of mind, with half of organizations having commitments to lower emissions.

New this year, industry leaders were asked about their sustainability practices. More than half (52%) indicated that they had made commitments to reduce emissions.

- 34% have commitments to reduce emissions by a certain percentage.
- 18% have a net-zero commitment.



“ Western Canada is well positioned to enjoy the economic benefits of a post-COVID-19 recovery while reaping the benefits of the transformation to a net-zero carbon economy. The question is, are our business and political leaders willing to do so? ”

– **TERMINAL OPERATOR**

“ Addressing climate change seriously and effectively will require shifting priorities for capital investment. ”

– **LABOUR**



TOP 3 TRANSPORTATION CHALLENGES

1

INFRASTRUCTURE AND CAPACITY

This continues to be a top challenge for the 5th consecutive year. More than 90% of respondents are most concerned about insufficient capacity and aging infrastructure. Other significant concerns included shipping and container challenges, coupled with lack of reliable forecasting.

2

WORKFORCE

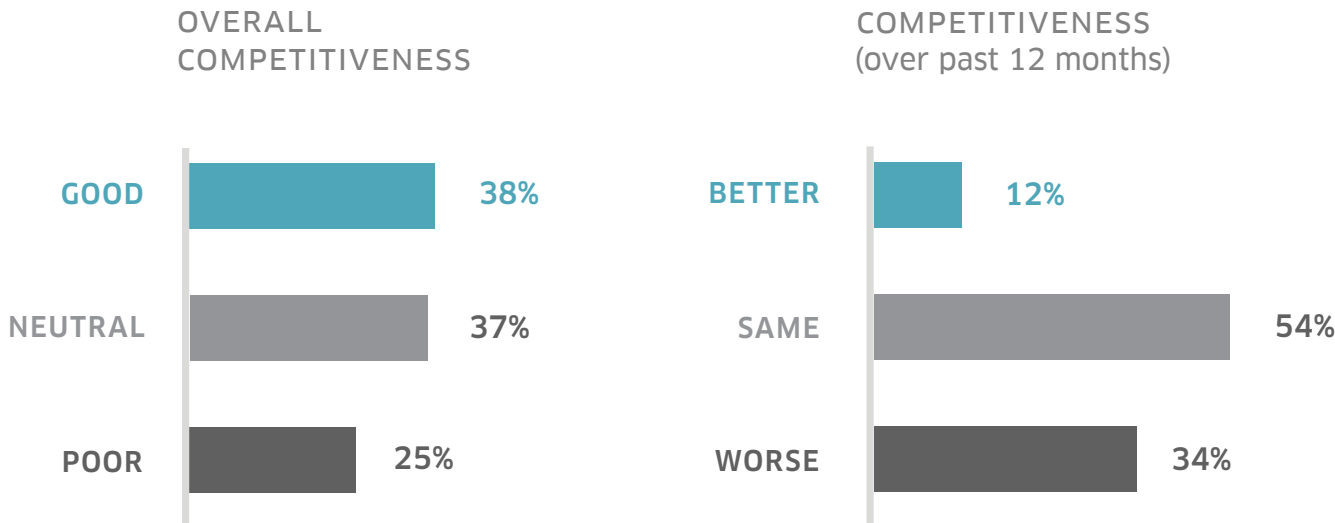
While pandemic-related impacts on the workforce are the most immediate concerns, displacement of workers due to technology, lack of suitable training programs and unclear work/rest rules were rated as significant concerns. These concerns are particularly high among carriers, logistics providers and shippers.

3

OPERATIONAL ISSUES

Mitigating the risks of COVID-19 dominate the short-term operational difficulties. More than 80% of respondents cite congestion, reliability and lack of data sharing as ongoing concerns.

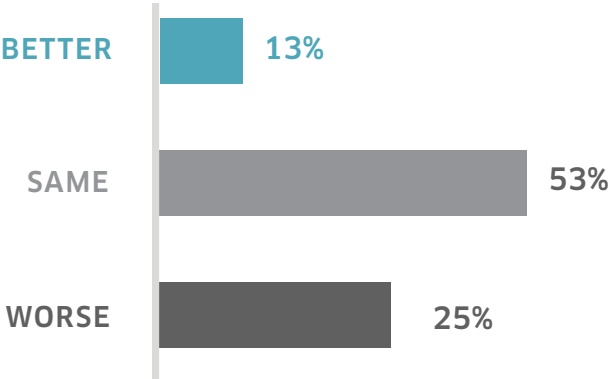
Respondents have mixed views on Western Canada's supply chains.



Half of industry leaders consider competitiveness unchanged over the past year, while **1 in 3 believe it has worsened**. Port authorities and terminal operators are most likely to believe competitiveness has worsened, whereas labour leaders consider it to be somewhat improved.

Shippers, retailers, carriers and logistics providers are most inclined to rate cost-competitiveness negatively compared to other sectors.

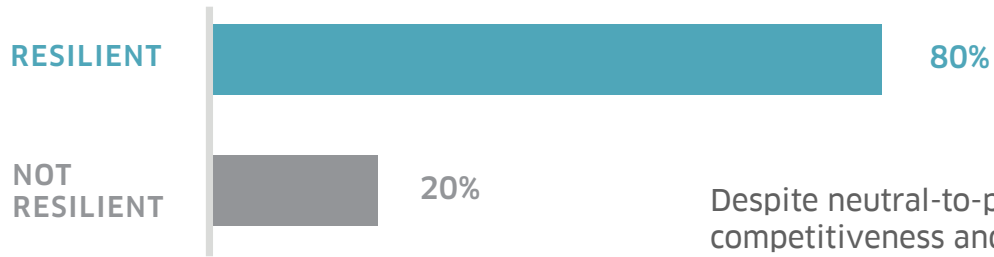
REPUTATION



One in 3 industry leaders believe that the reputation of Western Canada's supply chains has worsened over the past year, while **only 1 in 10 think it has improved**.

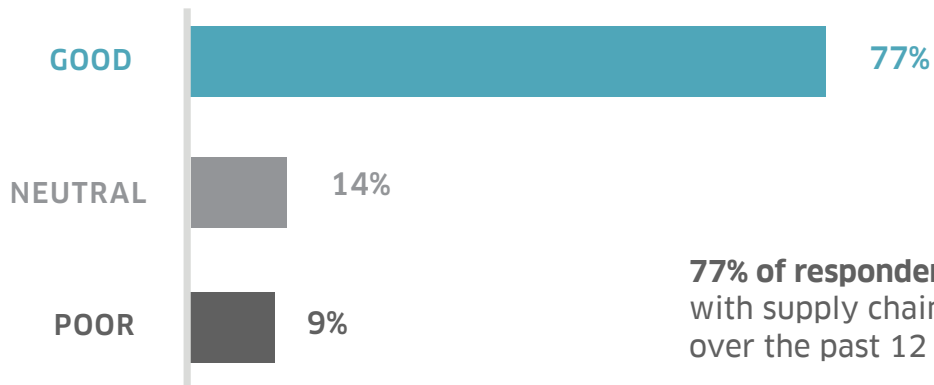
The reputation of Western Canada's supply chains depends on reliability. Frequent disruptions, delays, wait times and congestion all affect reputation negatively.

RESILIENCE



Despite neutral-to-poor perceptions of competitiveness and reputation, **most industry leaders (80%)** rate Western Canada's supply chains as resilient.

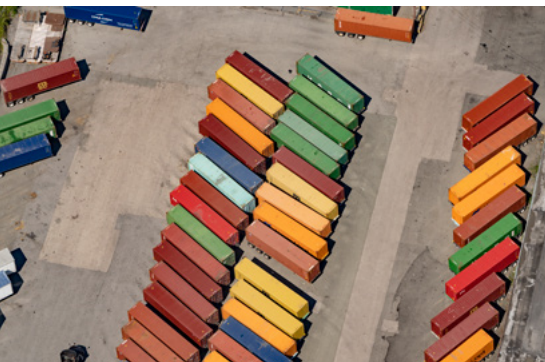
COLLABORATION



77% of respondents rated their relationships with supply chain partners **very positively** over the past 12 months.



To enhance competitiveness—and ultimately, Western Canada's reputation within the global marketplace—the transportation sector can leverage collaboration among stakeholders to improve supply chain performance and reliability.





78% of respondents believe a new strategy is needed for Western Canada's trade corridors.



Four in five executives surveyed want to see a **comprehensive new strategy** developed for Western Canada's trade corridors.

Western Canada's supply chains are managing disruptions related to the COVID-19 pandemic, despite the underlying conditions that have hindered the optimization of these critical trade corridors. A broader strategy is needed to address continued bottlenecks in our rail, port and pipeline infrastructure, improve visibility across systems, coordinate and stabilize inter-jurisdictional regulatory systems, and balance investments to increase fluidity across the network.

“ Commodities for energy transition will see increased demand in the coming years. Some of these commodities are hazardous and can only be moved with full cooperation of the federal, provincial and municipal governments along with the private sector. We have to rethink how our transportation routes are established and operated to support the transition. ”

– **SHIPPER**

“ We need a national conversation about true supply chain priorities and needs that connect from production to the consumer or export channel. There needs to be a shared understanding of current capacities and investment priorities, without the cloud of secrecy and suspicion that some stakeholders bring to the table. ”

– **GOVERNMENT**

“ Our approach is not forward-thinking enough, and as a result, we are already far behind the growth curve. As other global economies emerge, we need to ensure Canada remains competitive and relevant. ”

– **TERMINAL OPERATOR**

“ Corridor strategies to date have been developed to support regional government investment in the absence of a comprehensive transportation strategy. ”

– **PORT AUTHORITY**

“ Demand is growing and shifting, and climate change is a reality. Therefore, we need a new strategy that incorporates these new challenges and opportunities. ”

– **RAILWAY**

“ There has to be more focus on addressing the concerns and interests of Indigenous people and greater consideration of climate change. ”

– **LABOUR**

Technology adoption is important to improve supply chains—but there are barriers to overcome.

BARRIERS TO TECHNOLOGY ADOPTION:



Budgetary constraints: **53%**



Uncertain return on investment: **38%**



Lack of relevant skills and competencies: **37%**



Resistance to new or unfamiliar technologies: **33%**



Implementing technology without disrupting operations: **32%**

Increasing productivity and competitiveness and improving supply chain efficiency and transparency are the factors driving the adoption of technology.

“ Further investments in infrastructure and technology [will] reduce dwell times at ports and terminals. ”

— RAILWAY

How can we **improve** Western Canada's **supply chains**?

“ Increased transparency and communication between all supply chain participants is needed. ”

– **SHIPPER**

“ Continue to improve infrastructure across Western Canada. Traffic has been disrupted this year, but the highways from the Ontario border to Vancouver all have major improvements going on. ”

– **GOVERNMENT**

“ We need a more efficient environmental process to get the required major capital to the building stage in half the present time. We need additional rail capacity and sufficient resources to deal with severe winter conditions. ”

– **INDUSTRY EXPERT**

“ Priorities should focus on innovation, data exchange and management of the logistics infrastructure as a system. ”

– **TERMINAL OPERATOR**

TAKE-AWAY MESSAGES

Prioritize People

For the first time in our survey history, respondents cited workforce issues as one of the top 3 transportation challenges. Many anticipate a great exodus from the labour force as baby boomers retire or shift their priorities because of the pandemic. Organizations need to pay greater attention to their workforces to build resilience and make transportation the industry of choice. This includes training today's staff for the jobs of tomorrow.

Resolve Uncertainty

Organizations understand the importance of regulation, but they also need clarity so they can plan for and meet requirements. Uncertainty combined with continual change in the regulatory environment is negatively affecting Canada's reputation and competitiveness. Leaders also noted that reconciliation with Indigenous peoples has not meaningfully advanced as much as it should have. The pace and outcome of agreements between Canada, the provinces and First Nations is lagging far behind the pace of investment opportunities.

Tackle Supply Chain Crises

The industry collaborated and adapted to minimize the impact of the COVID-19 pandemic on transportation networks. It needs to adopt the same tenacity and spirit of cooperation to resolve other long-standing challenges, such as the lack of inter-jurisdictional coordination, lack of transparency, and capacity constraints that have resulted in today's supply chain crisis. We need inclusive consultation with all transportation stakeholders to develop a new Western Canadian trade corridor strategy. The strategy should focus on investments that enhance system-wide fluidity through increased data-sharing and new strategic infrastructure that is also climate-resilient.

Reduce Emissions and Make Climate Action a Priority

A growing number of transportation providers are committed to reducing greenhouse gas emissions and are working toward net-zero. However, this is not enough. To achieve the greatest impact, all firms should strive to reduce emissions on an accelerated timeline with quantifiable metrics. Beyond this, organizations need contingency plans for climate-related incidents in order to remain resilient and competitive.

HOW WILL WESTAC 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 market reliably and competitively has never been more essential.



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**.



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