

Driver Inc.; Truck Safety Plan; and Interprovincial Trade Barriers

CTA

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Driver Inc --- Highlights CTA Submission to TRAN

- Driver Inc. emerged from what could be described as a “polyamorous marriage” of policy failures:
- The misuse of the Personal Services Business (PSB) tax classification,
- A long-standing moratorium on T4A enforcement, and
- Poor insight, weak enforcement and a general lack of coordination between enforcement agencies, including CRA, ESDC, TC and provincial counterparts.

What is Driver Inc. From a Labour Perspective?

- Under the Driver Inc. model, trucking companies treat drivers—who operate company-owned vehicles — as if they were independent contractors. These drivers are often required to incorporate and regularly bypassing mandatory deductions for EI, CPP, and income tax. It also encourages widespread tax evasion, with workers knowingly or unknowingly under-reporting income, claiming ineligible deductions, or simply not paying taxes at all.
- It is conservatively estimated that companies can save at least \$20,000 to \$30,000 per driver annually through this scheme. For even modest sized fleets, this amounts to millions in illegal savings each year. For the government, this translated into billions in lost revenue.

Driver Inc: Labour

- In a 2018 memo to the Canadian Trucking Alliance, ESDC ruled that Driver Inc. misclassification was illegal and in contravention of the Canada Labour Code. However, since that time the problem has only gotten worse. Recent ESDC inspections reveal just how widespread the non-compliance now is with the following noncompliance rates found in 2025:
- 40% nationally,
- 42% in Quebec,
- 62% in Ontario.
- Significant non-compliance identified in virtually every province and region.
- Through enforcement activities across the country, ESDC has found gross non-compliance. For example, in joint enforcement efforts at truck weight scales and through other focused initiatives, ESDC has found the following:
- ESDC Blitz and inspections in Quebec (2024): 40% of employers visited were found in non-compliance with misclassification provisions.
- ESDC and WSIB Ontario Roadside Blitz Numbers (2025): Over 50 companies identified for potential audit related to labour law violations. Over 30 companies identified for potential violation of provincial workers compensation laws by provincial authorities.
- ESDC Winnipeg Blitz (2025): 64% of active employers visited that week were found in non-compliance with misclassification provisions (some were no longer in business).
- ESDC Edmonton Blitz (2025): 50% of employers visited that week were found in non-compliance with misclassification provisions.
- ESDC has previously reported that as many as 25% of companies identified as noncompliant 'simply disappear' when they attempt to conduct enforcement or follow up enforcement.

Driver Inc: Labour

- These numbers are reinforced by industry data that reflects this noncompliance within the labour market. In an April 2025 industry survey, CTA found that more than one in three truck drivers applying for a job with Canadian trucking companies are asking to work under Driver Inc. type conditions. In Ontario, the province where the so-called Driver Inc tactic is most prevalent, nearly half of applicants want to work in the growing underground economy. In this, working in the underground economy has become so normalized in some parts of the industry, that hiring drivers to be on traditional payroll is itself becoming a challenge.

Critical Concerns for ESDC

Weak and Obstructed Auditing

- While the auditing force has grown modestly with the establishment of ESDC's misclassification team – now comprising just over 20 auditors – CTA estimates there may be as few as one auditor for every 500 companies in the sector, and perhaps as high as one auditor for every thousand companies.

Critical Concerns for ESDC

Ineffective Penalties: AMPS Fall Short

- In relation to the size of the problem, the current Administrative Monetary Penalties system (AMPs) is ineffective and somewhat outdated despite being relatively new. In this, the industry often sees the issuing minor fines that are far outweighed by the financial gains that can be realized for Driver Inc. type noncompliance. Therefore, companies view these penalties as a simple and relatively cheap cost of doing business, not a deterrent. Worse, in many cases the only outcome is that companies are simply told to start complying with the law going forward—without facing consequences for prior violations.
- In most cases – as far as CTA can tell – engaging in misclassification would yield an employer an AMP between \$7,000 and \$12,000. This is less than the financial gain that can be realized from misclassifying just a single employee.

Critical Concerns for ESDC

- It is industry's understanding that – with the exception of a direct complaint by an employee – under normal auditing processes (proactive audits and enforcement) ESDC does not require retroactive compensation or any meaningful restitution for employees who have been stripped of overtime pay, vacation pay, holiday pay, paid personal days, paid sick days, among a host of other entitlements. This approach effectively normalizes wage theft and mass labour abuse with companies seemingly being allowed to keep the money they illegally gained even if eventually caught.
- When a direct complaint for wage theft is launched by a worker to ESDC and a payment order is issued to the company, CTA has been told that in many cases these orders still go unpaid. Many media reports speaking to drivers also confirms this belief. CTA estimates that the trucking industry represents at least 85% of all wage theft complaints ESDC receives, making this in itself a significant and widespread problem.

Critical Concerns for ESDC

- By failing to act with sufficient speed and force, ESDC has allowed conditions that closely resemble forced labour to flourish in parts of the trucking sector
- ESDC lacks a comprehensive list of federally regulated carriers, leaving thousands—if not tens of thousands—of companies operating off its radar. This basic knowledge gap severely limits ESDC's ability to monitor, audit, or enforce its own laws in any systematic or equitable way.
- While the focus thus far has been on ESDC, it is important to note the same concerns apply to other federal bodies with broad labour related mandates such as the Canadian Human Rights Commission (CHRC). These organizations face similar challenges, including a limited understanding of the companies comprising the sector, but in the case of the CHRC, is arguably worse due to its significantly smaller oversight and auditing capacity.

CTA Recommendations to ESDC

- **Create and maintain a comprehensive, transparent registry** of all federally regulated carriers and contractors.
- **Establish stronger powers to compel compliance**, including binding audit cooperation and consequences for obstruction or avoidance.
- **Bolster misclassification team** with added resources and auditors.
- **Reform the AMPS regime** to impose meaningful, escalating penalties that match the scale of non-compliance and deter repeat offenders.
- **Mandate full restitution for affected workers**, including retroactive pay, interest, and damages where appropriate.
- **Develop an interagency approach** in collaboration with CRA and provincial bodies to detect jurisdiction shopping and corporate relabeling.

What is Driver Inc. From a Tax Perspective?

- From a tax perspective, Driver Inc. is a misclassification scheme in which trucking companies treat drivers—who should legally be classified as employees—as independent contractors or incorporated Personal Service Businesses (PSBs). This arrangement allows companies to avoid paying mandatory payroll contributions such as CPP, EI, provincial workers' compensation premiums, provincial health taxes where applicable, and other employment-related costs, while also sidestepping obligations under federal labour standards.

The Canada Revenue Agency (CRA) and The PSB Mirage

- Under the Income Tax Act, a Personal Services Business exists when an incorporated individual would reasonably be considered an employee if not for the corporation. CRA often refers to these individuals paradoxically as incorporated employees. In other words, it's when an individual tries to use a corporation to work as a contractor, but the actual relationship is essentially that of an employer-employee. Thus, these rules were originally designed to prevent tax avoidance through artificial incorporation.

CRA: Critical Concerns

- The Canadian Trucking Alliance (CTA) and other industry bodies have raised concerns about Driver Inc. directly with the CRA for at least eight years. CRA has acknowledged the problem, studied it, and ultimately found gross non-compliance in the sector. Despite this, the agency has not – in the industry’s view – prioritized systemic action.
- For some time, the industry has called for a public and coordinated enforcement effort on noncompliant PSBs and general tax evasion in the industry. However, these calls have largely gone unanswered to date. The most prominent example appeared in the Government’s Fall Economic Statement of 2022, where it stated in relation to the Driver Inc. scheme, *“The Canada Revenue Agency is currently working across sectors, including the road transportation industry, to encourage greater awareness and foster compliance with tax rules governing the use of incorporated employees. Further details will be provided in Budget 2023.”* At the time, the industry took this to mean that we would finally have a comprehensive strategy for combating tax evasion in our sector, which would be unveiled in the Federal 2023 Budget. However, when the 2023 Budget was released, there was no mention of the issue and no tax strategy unveiled. Since this time, CTA has requested an explanation for this reversal in position with little substantive response.

CRA: Critical Concerns

- By not enforcing the law, CTA estimates the CRA is allowing the loss of between \$1 billion and \$5 billion annually to the underground economy.
- Law-abiding carriers who absorb the cost of compliance, withhold and remit taxes, and respect employment standards are at a significant competitive disadvantage .
- In nearly all cases, there is little to no legitimate benefit for a truck driver to operate as a Personal Services Business (PSB)—and often serious financial and legal downsides.
- T4A moratorium and Rise of the PSB

CTA Recommendations to CRA

- **Immediately prioritize PSB enforcement** in the trucking industry as a strategic compliance priority.
- **Conduct large-scale audits** targeting known Driver Inc. carriers and incorporated drivers to verify tax compliance.
- **Lift the enforcement moratorium on T4As** or implement another practice to better track contractor payments.
- **Apply existing penalties and back-taxes retroactively**, as per the Income Tax Act.
- **Collaborate with ESDC and provincial regulators** to identify high-risk companies, especially those with history of misclassification. This could include expanded roadside enforcement efforts at truck weight stations.
- **Reinforce and expand inter-agency data sharing**, including T4A reporting, business number registration, and WCB compliance.
- **Warn industry participants through public compliance notices** and coordinated campaigns with industry.
- **Report publicly on enforcement general enforcement actions** to demonstrate CRA is restoring fairness and deterring abuse.

What Does Driver Inc. mean from an Immigration and Forced Labour Perspective?

- CTA has been told that the LMIA process in particular, is the gateway for this abuse, giving employers – many involved in the Driver Inc. scheme – a “license to control” drivers with permanent residency (PR) ambitions for months or years. Because it’s the trucking company employer submitting the LMIA, and who must sign-off on the driver before ESDC/ IRCC grants them PR status, the driver is often afraid to object or report things like poor working conditions, low pay, withheld wages, injuries, forced labour, etc.
- The scheme is explained in the CTA report.

What does Driver Inc. mean from a Truck Safety Perspective?

- The implications of Driver Inc. extend far beyond payroll and taxation. Companies that circumvent tax and labor laws by misclassifying drivers are not just cutting financial corners - they're also more likely to compromise on critical aspects of safety. When an organization is willing to ignore its legal obligations to workers and the government, it raises serious concerns about its commitment to ensuring safe and compliant operations.
- CTA lists its 13 recommendations to improve truck safety.

Truck Safety --- Deputy Ministers

- Through CTA's advocacy the Deputy Ministers met with the trucking industry for the first time in over 30 years.
- A group of CTA carriers and the CTA Team made a presentation how Driver Inc. was destroying the trucking industry and making highways unsafe.
- The Deputies after the meeting ordered CCMTA to present the Council of Ministers with a plan of how to address truck safety.
- CTA has presented the CCMTA, the Council and Deputies with that plan. The implications of Driver Inc. extend far beyond payroll and taxation. Companies that circumvent tax and labor laws by misclassifying drivers are not just cutting financial corners - they're also more likely to compromise on critical aspects of safety. When an organization is willing to ignore its legal obligations to workers and the government, it raises serious concerns about its commitment to ensuring safe and compliant operations.

CTA Plan on Truck Safety

- Create a federal anti-avoidance task force to address carriers who engage in avoidance tactics (i.e., chameleon or ghost carriers, Driver Inc., etc.)
- Clearly identify that owner-operator and legitimate contract driver agreements be retained NSC Standard 15 and subject to Facility Audit
- Require that subcontract and brokerage records be retained in NSC Standard 15 and subject to Facility Audit
- Add a requirement to establish a formal data sharing agreement for carrier NSC registration between provinces and territories

CTA Plan on Truck Safety

- Create a national NSC carrier database which can be searched by provincial and territorial agencies
- Add a requirement to capture all vehicle VINs and annual vehicle odometer data to the demographic information captured in NSC Standard 7
- Add requirement to capture and report all NSC numbers and jurisdictions, as well as USDOT numbers, to the demographic information captured in NSC Standard 7
- Add corporate officer or director information to the demographic information captured in NSC Standard 7

CTA Plan on Truck Safety

- Add a requirement to incorporate municipal licencing as part of the carrier NSC application and renewal process
- Explore a new Standard which outlines a concept for registering and licencing freight brokers
- Require that all provinces have public carrier profiles and searchable carrier data for increased transparency
- Require all Canadian jurisdictions to have language in their respective laws that require commercial vehicles display the NSC number for the authority under which the vehicle is operating
- Work with the International Registration Plan and the provinces/territories to determine if a national commercial vehicle database can be created

Interprovincial Trade Barriers

- Trucking was made the national pilot through CTA lobbying.
- Process is underway
- Winter Road Maintenance; Rest Areas; Northern Trucking; Twinning of Highway 185; LCV Harmonization (West); Expansion of Extended Stinger Auto Carrier Configuration; LCV Harmonization Easter Canada; Oversize/Overweight Issues; Availability of Motor carrier Information; Safety Oversight System; Spring Weight Restrictions and Road Bans;and, Expanded Cell Service