Fixing Canada's Transportation Supply Chains: Solutions for a Competitive Forest Sector

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Forest Products Association of Canada (FPAC)
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Introduction

Canada's forest sector is a cornerstone of the national economy and a critical solutions-provider for today's top policy priorities, from housing affordability and rural development and employment to Indigenous economic reconciliation, carbon emissions reductions, wildfire resilience, and more.

The sector relies on efficient, reliable, and cost-effective transportation supply chains—from trucks and railways to ports—to move its products to domestic and global markets. The importance of investing significantly more into supply chains and boldly rethinking federal transportation policy has become more evident in Canada following the COVID-19 pandemic. The last five years have exposed the fragility of Canada's freight transportation networks—bottlenecks, crew shortages, limited investment, climate shocks, and frequent labour disruptions are increasingly damaging our country's reputation as a reliable global trading partner and destination for investment.

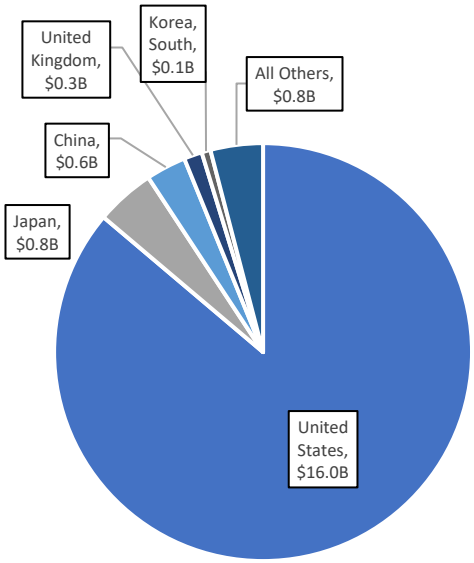
The federal government has defined a mandate that prioritizes "strengthening our collaboration with reliable trading partners and allies around the world…removing barriers to interprovincial trade and identifying and expediting nation-building projects that will connect and transform our country…[and] bringing down costs for Canadians and helping them to get ahead." **Put simply, none of this will be possible without bold solutions to the systemic challenges affecting our transportation supply chains, which provide a platform for sectors like forest product manufacturing to deliver value for Canadian workers, families, and communities.**

Canada's Forest Sector and its Transportation Footprint

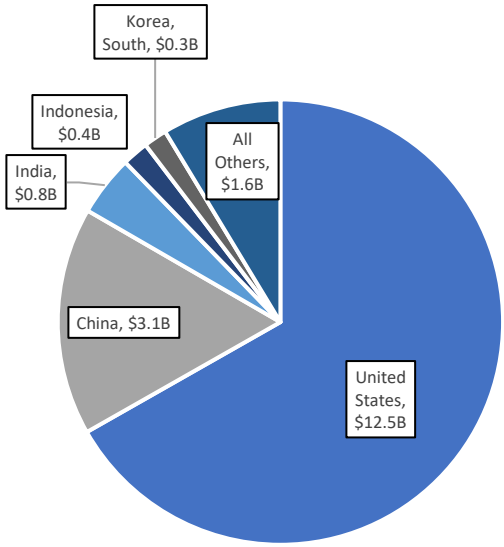
Canada's forest products industry directly employs over 200,000 people and generates around $87 billion in annual output.[1] In 2024, the sector contributed roughly $21 billion to Canada's GDP and exported $37 billion worth of products to the world.[2] Forest products are the country's 4th largest export industry,

[1] Employment: Statistics Canada. Table 36-10-0489-01 Labour statistics consistent with the System of National Accounts (SNA), by job category and industry.
Economic Output: Statistics Canada. Table 16-10-0117-01 Principal statistics for manufacturing industries, by North American Industry Classification System (NAICS) (x 1,000)
[2] Statistics Canada. Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000)

representing about 5% of all Canadian exports. The United States is by far Canada's largest customer—about 80% of Canadian forest product exports are destined for the U.S., while the remainder reach overseas markets in Asia, Europe, and elsewhere.[3]



Canadian Wood Product Exports (2024)



Canadian Pulp & Paper Exports (2024)

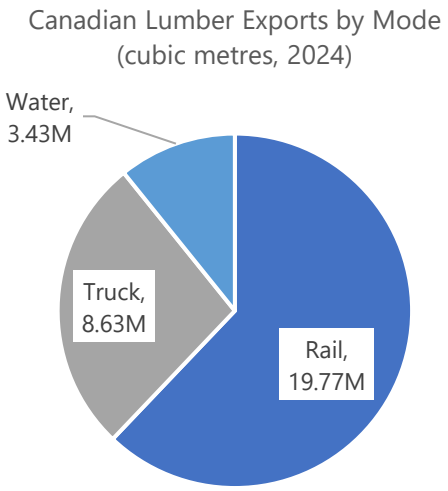
Source: ISED, Trade Data Online

Getting these products to market requires reliable, efficient freight transportation networks. The forest products sector depends on three modes—trucking, rail, and marine—at different stages to move products from mill to customer. **The average overland distance travelled by a forest product shipment among FPAC members is roughly 1200km**, with most sawmills and pulp and paper mills being in remote, rural, and northern regions.[4]

As with many commodity-producing sectors with a nationwide footprint, Canada's forest products sector includes a variety of different supply chains depending on the product in question, points of origin and destination, as well as contextual factors like market dynamics and broader system performance. Each manufacturer will also make logistical decisions based on their respective business models, selling higher or lower down the value chain. For example, **some companies will sell all or most of their product directly to customers (e.g., builders/developers, re-manufacturers) while others may sell more to wholesalers or secondary distributers (e.g., lumber yards, big-box stores)**. These models have different impacts on a company's transportation supply chains and require different approaches to manage freight movements.

[3] Innovation, Science, and Economic Development (ISED) Canada, Trade Data Online.
[4] Average distance based on survey of FPAC member companies.

For over-land movements, **freight rail is the most common transportation mode and should be the most efficient, environmentally sound, and cost-effective option for *most* forest sector shippers by a significant margin**. Railways carry over half of all forest product shipments, primarily long-distance hauls to the United States and to seaports for offshore export. Forest products account for about 10% of all Canadian rail freight volume by tonnage, and roughly 62% of all Canadian lumber exports move by rail.[5] About **90% of FPAC member mills are served by a single railway** (almost exclusively Canadian National Railway and Canadian Pacific Kansas City Ltd.), meaning most rail-served shippers are captive to one carrier and beholden to their performance and service levels.



Source: Statistics Canada. Table 16-10-0018-01 Canadian lumber exports by mode of transportation (x 1,000). Note: most marine exports likely preceded by a rail movement.

Trucks handle the second largest share of forest products transport, serving shorter-distance hauls, regional deliveries, and feeder routes to rail transloads. Rarely is it economical for manufacturers to truck large volumes of product directly from facilities to customers, but it does occur in some cases (typically only when a mill is located favourably, serves primarily local domestic markets, or experiences a disruption to rail service that creates pressure to move product even at a higher cost). **Most companies will not consider truck movements beyond a 500km radius from their mill sites**. Historically, significant shortages of qualified truck drivers—particularly in the long-haul segment—have challenged forest sector shippers and the broader economy. While FPAC members report fewer challenges accessing trucking services and overall tightness in trucking labour markets appears to have improved post-COVID, Trucking HR Canada notes that the **trucking industry's job vacancy rate is still "1.5 times higher than the average across the Canadian economy."**

When rail service falters due to congestion, crew shortages, embargoes, or strikes, trucking can only partially backstop the gap, given the sector's scale and an already tight trucking market. It takes approximately **3 trucks to replace every boxcar** (railcar type used for pulp and paper), and **4 trucks to replace every centrebeam** (railcar type used for lumber and wood products).[6] If rail service were to cease entirely – as it did briefly in

[5] Statistics Canada. Table 23-10-0216-01 Railway carloadings statistics, by total tonnage transported, monthly; Lumber shipments: *Statistics Canada. Table 16-10-0018-01 Canadian lumber exports by mode of transportation (x 1,000).*
[6] Based on FPAC estimates of average carload and truckload weights.

2024 due to simultaneous work stoppages at CN and CPKC - the sector would require an additional 61,000 truckloads of wood products and 23,500 truckloads of pulp and paper per month to meet typical demand, capacity far beyond what the trucking industry can supply.

Lastly, marine trade routes link Canadian producers to global markets beyond the U.S. Products moving to Asia, Europe, and other global markets are routed by rail or truck to ports and then loaded onto ships. Each year, tens of millions of tonnes of forest products depart Canada via marine vessels, primarily through the Port of Vancouver and the Port of Montreal. In 2024, **forest products accounted for 14% of *all* outbound shipments and 38% of outbound containers departing the Port of Vancouver, and 17% of outbound containers from the Port of Montreal**.[7]

For additional detail regarding typical product supply chains based on region of production and business segments, please see the **Annex** appended to this report.

Key Challenges and Shipper-Friendly Solutions

The underperformance of Canada's transportation supply chains is increasingly well-documented. While the ever-present threat of port or rail strikes is likely the most salient issue in Canadians' minds, the impacts of other systemic challenges—namely a lack of market competition among carriers and ageing or ill-suited infrastructure—have a significant impact on Canadians' economic fortunes.

To strengthen the forest sector's supply chains, the federal government can deploy targeted policy levers and investments. **Most systemic challenges facing shippers across economic sectors relate to market competition, infrastructure readiness, and labour stability**—all essential to delivering on a One Canadian Economy agenda and, in particular, meeting the urgent need to diversify export markets and build productive trading relationships with offshore partners.

Below, FPAC presents an overview of the specific challenges, experiences, and outcomes attached to each category, as well as accompanying recommendations for government action.

[7] Port of Vancouver, *2024 statistics overview*, March 10, 2025; Port of Montreal, *Containerized Cargo statistics 2023-2024.*

1. Competition

Monopolies are not uncommon across various sectors of the Canadian economy—from telecoms to air travel—and in each case the lack of competition leads to profoundly negative price and service outcomes for consumers. Freight rail markets are no different. Canadian National Railway (CN) and Canadian Pacific Kansas City Ltd.'s (CPKC) dual monopolies vest each railway with near-total control over the rates, service, and engagement captive shippers can expect. In Canada, shippers are generally price-takers with little real influence over the terms of their relationship to a railway. **Rather than serving as pure enablers of trade and economic prosperity, railways have effectively assumed a gatekeeping role.**

Rail shippers typically face two options: moving their product under so-called *tariff* rates, without rate certainty and usually at a significantly higher cost or entering a confidential contract with a railway. While contracts typically reduce the rate below what one could expect to pay under tariff, some forest sector shippers report that **contract-to-contract rate increases have consistently outpaced the overall rate of inflation without an equivalent improvement in service or order fulfillment.**

What's more, standard form contracts commonly use one or more different types of clauses to restrict access to statutory remedies intended to protect shipper rights. A 2024 survey of FPAC members found that **100% of respondents had been asked to "contract out" of one or more shipper remedies during negotiations with a railway**. Most of those surveyed believed that these asks are generally not negotiable, or very difficult to push back on.

Service quality also suffers from the lack of competition in freight rail markets. Without meaningful competitive pressures, a service provider has little incentive to make improvements to its offering. This manifests in poor order fulfilment—with some mills receiving less than 50% of the cars they order from a railway—missed deliveries or car pickups, and crewing issues that limit facilities ability to move out product in a timely manner.[8] Inadequate car supply results in bloated inventory (and associated costs) and ultimately production curtailment or shut down once inventory space becomes scarce.

Rail carriers themselves benefit significantly from this market arrangement because it lets them make the most of their existing equipment and increase their profits, delivering strong returns for shareholders, often at the direct expense of the shippers who depend on them to move their products to market.

It is highly unlikely that pure market forces will ever fully address these issues. Shippers across economic sectors have long pointed out that government intervention is the only reasonable check on otherwise unconstrained railway market power. The federal government-initiated National Supply Chain Task Force noted in its 2022 final report that "in a constrained competitive environment, **transportation service providers have outsized market power and seek to maximize their financial performance, often without regard to the national public interest**"—recommending that government leverage an empowered Canadian Transportation Agency (CTA) that can more effectively "keep market forces in check."

WHAT CAN THE GOVERNMENT DO TO IMPROVE COMPETITIVENESS?

To prevent unchecked exercise of market dominance and ensure that forest product shippers are not unfairly disadvantaged by their lack of options, government should:

- **Strengthen regulatory oversight of unreasonable tariffs and rail service:** Amend subsection 120.1(1) of the *Canada Transportation Act* to allow a shipper to complain to the Canadian Transportation Agency (CTA) regarding the reasonableness of any tariff charges or terms or conditions, including surcharges that apply over and above the applicable rail freight rates, whether or not associated with a specific charge. Empower the CTA to proactively investigate rail service issues on its own initiative, without requiring a formal complaint or Ministerial Order.
- **End heavy-handed railway contracting practices:** Amend the *Canada Transportation Act* to deem null and void contract language that prohibits, restricts or otherwise limits a shipper's ability to use a statutory remedy.
- **Prohibit the over-recovery of fuel costs through surcharges**: Amend the *Canada Transportation Act* to prohibit any fuel surcharge that over-recovers a

[8] Based on historical rail car fulfillment data collected by FPAC.

railway company's actual cost of fuel consumed for corresponding traffic. Alternatively, expand the scope of subsection 120.1(1) to allow a shipper to challenge the reasonableness of railway Fuel Surcharge (FSC) tariffs, as described in the previous recommendation. Separately, the Minister should direct the Agency pursuant to section 49 of the *Act* to inquire into railway over-recovery of fuel costs under their FSC tariffs.

- **Improve transparency and supply chain data:** Require the CN and CPKC Winter and Grain Plans to use a common template that requires analysis of the previous year's actual performance, such as a review of planned capacity against actual market demand (*e.g.*, order fulfilment).

2. Infrastructure

Canada's export-oriented economy depends on efficient freight corridors to connect resource industries with global markets. Yet the infrastructure that underpins this system—railways, highways, terminals, and ports—has not kept pace with demand or adapted to new challenges. Canada's freight infrastructure is neither performing at the level industry requires nor resilient enough to withstand the disruptions it faces. Bottlenecks, aging assets, and a lack of redundancy constrain trade flows in normal times, while climate and external shocks expose systemic fragility.

The limitations of our trade infrastructure are on clear display to prospective trading partners and investors around the world, directly undermining government's market diversification agenda. A 2023 analysis from the University of Calgary highlights **Canada's worsening reputation as a destination for infrastructure investment**

relative to G7 peers, driven by "regulatory and bureaucratic delay [as well as] inconsistent and unreliable [federal infrastructure policies and funding programs]". These factors contribute to **an over-reliance on public dollars to maintain and grow key infrastructure as private investments stagnate**.

Data presented in the same report ranks **Canada's infrastructure and logistics performance as the worst in the G7 according to data from the World Economic Forum, World Bank, and OECD**. The most pressing weaknesses stem from structural capacity shortfalls and stagnant productivity. Key trade corridors, particularly BC's Lower Mainland and Montreal, face chronic congestion due to constrained terminal space, insufficient surge capacity, sub-par labour productivity and frequent stoppages. The World Bank's 2023 Container Port Performance Index provides a scathing assessment of our port infrastructure's inefficiency, **ranking the Port of Montreal 348th, the Port of Vancouver 356th, and the Port of Prince Rupert 399th of 405 global container ports** in terms of performance.

Beyond structural limits, Canada's freight system faces mounting stress **from climate change and external shocks**. Extreme weather has become a routine disruptor: 2021 floods in British Columbia severed all rail and highway links to the Lower Mainland, effectively cutting off exporters from Canada's primary West Coast gateway for days; 2023 wildfires in Alberta forced rail closures and delays, and last year's devasting fire in Jasper cut off CN's main line for an extended period; severe cold snaps, such as the 2024 polar vortex, reduced rail capacity by requiring shorter trains. During summer, railways must often slow their trains to ensure track warping does not lead to safety issues, lengthening cycle times for shipments. **In each of these cases, the absence of sufficient redundancy in the system means that one event paralyzed trade flows.**

Without sustained investment and coordinated resilience planning, Canada will continue to face supply chain volatility that undermines economic competitiveness and frustrates government objectives for trade and growth. Bill C-5 can address this problem directly, and **the forest sector is encouraged to see government moving quickly to approve projects like the Contrecoeur Container Terminal expansion at the Port of Montreal**. While it is not yet clear whether proposed investments in areas like the Port of Prince Rupert will benefit forest product shippers directly, they will almost certainly create indirect benefits by building system redundancy and alleviating pressure on the Lower Mainland.

WHAT CAN THE GOVERNMENT DO TO MODERNIZE OUR SUPPLY CHAIN INFRASTRUCTURE?

To bring Canada's trade-enabling infrastructure back up to G7 standards, government should:

- **Adopt measures to encourage private investment in infrastructure**: Make it more attractive to invest in trade-related infrastructure by offering tax tools—like accelerated depreciation or investment tax credits—and streamlined or simplified permitting to projects that clearly improve supply chain efficiency, resiliency, or cost-effectiveness.
- **Apply a performance lens to all federal support measures**: In selecting major transportation infrastructure projects to expedite under Bill C-5 or fund via programs like the National Trade Corridors Fund (NTCF), apply a systems-performance lens that prioritizes projects that eliminate physical bottlenecks or promote greater efficiency in the use of existing infrastructure.
- **Aggregate smaller strategic investments**: To complement larger national-interest infrastructure projects, make or facilitate investments to grow capabilities among supply chain stakeholders that can improve first-mile/last-mile performance and system connectivity (e.g., data and visibility technologies, shortline capacity, inland terminals, warehousing).

3. Labour Disputes

As representatives of a heavily unionized labour force, FPAC has deep respect for the collective bargaining process—however, persistent work stoppages at railways and key ports have become a feature of Canada's supply chains in recent years and put our own union jobs at risk. By FPAC's count, **Canada's transportation supply chains have been affected by strikes, lockouts, or near-stoppages owing to a labour dispute in 14 of the last 15 years**. Labour Canada reports 6 collective bargaining agreements in the transportation sector alone will expire during the remainder of 2025—covering workers

in the rail, truck, and ocean transport modes across Canada—with many more set to expire in 2026.

The structure of forest operations makes them especially vulnerable to work stoppages in the transportation sector. Pulp and paper mills, which operate on a continuous process basis, typically hold **only 6–7 days of storage capacity for production**. Once this threshold is reached, mills must either secure scarce off-site storage or shut down, with each day of idling costing approximately $1 million per facility in overhead, maintenance, and lost output.[9] Even sawmills, which can temporarily store limited volumes outdoors, face rapid constraints when supply chains falter.

The system lacks redundancy: the trucking sector cannot absorb volumes normally carried by rail, and few cost-effective alternatives exist for those looking to export product offshore via a Canadian port. In the case of the coastal British Columbia forest industry, the labour relations landscape is made that much more challenging by having unionized coastal marine transportation critical for both raw materials delivery and finished goods transport, fall under the Canada Labour Code.

The financial consequences for industry during a work stoppage are severe: a large or mid-sized forest product manufacturer **can lose tens of millions of dollars per week during a rail or port shutdown, with sector-wide impacts climbing into the hundreds of millions within two weeks**[10]. Extended disruptions force facilities dependent on uninterrupted shipments to curtail operations, reduce shifts, furlough employees, and sometimes cut jobs permanently. The 2023 ILWU Canada strike that shut down BC ports led directly to facility curtailments and furloughs affecting hundreds of workers in British Columbia.

This uncertainty does not simply hit the bottom line – it erodes Canada's status in the global trade of forest products and undermines our companies' ability to diversify their offshore customer base. In highly competitive global markets, especially outside North America, business-to-business relationships rely on reliability as much as product quality. **FPAC members report increasing difficulty managing offshore customers' concerns about the reliability of product shipments, due in large part to increasing global awareness of Canada's vulnerability to work stoppages**. Even temporary instability can permanently shift buyers to competitors from other jurisdictions.

The federal government lacks the appropriate tools to protect those who depend on reliable, functional supply chains. The Industrial Inquiry Commission (IIC) on West Coast Ports—initiated by the Minister of Labour in the wake of the 2023 ILWU Canada-BCMEA labour dispute—notes that "**there is no transparent, fully informed or standardized approach to labour dispute interventions**, and this leads unions to challenge these

[9] Estimates based on survey of FPAC member companies.
[10] Estimates based on survey of FPAC member companies.

actions on the basis that less invasive measures ought to have been tried first before their Charter right to strike was curtailed."

The content of recent disputes also highlights a significant impediment for Canada's economic growth objectives. Particularly at port facilities, **organized labour has grown wary of productivity-enhancing technology investments**, resulting in deadlocks during negotiations and more frequent, intense labour disputes. This pits national-interest economic priorities (especially improvements to labour productivity) against understandable anxieties about workers' future prosperity. The IIC notes that while "there is an urgent need to adapt to the changing global marketplace that poses a very real threat to the livelihood of longshore workers if the West Coast ports are not competitive and reliable…there is no magic solution for finding the appropriate fulcrum point between the interests of labour and the need for stability and efficiency in the ports."

WHAT CAN THE GOVERNMENT DO TO IMPROVE LABOUR STABILITY?

To bring stability and prosperity to Canada's transportation sector labour force, government should:

- **Modernize labour dispute resolution:** Adopt recommendations from the IIC Final Report, particularly amendments to the Canada Labour Code focused on special mediation, to establish a clear, fast, and transparent process for resolving disputes in the transportation sector that provides multiple opportunities for proactive government intervention without jeopardizing workers' right to strike.
- **Empower Cabinet to intervene quickly in failed negotiations:** As a failsafe should negotiations reach an impasse, parliament should provide a more durable mechanism for the federal cabinet to impose binding arbitration.
- **Seek to balance productivity and employment imperatives**: Develop a long-term strategy for facilitating productivity-enhancing investments within the transportation sector that appropriately addresses concerns among workers regarding the impact of automation on their livelihoods.

Conclusion

The competitiveness of Canada's forest products sector depends on a robust transportation system that delivers reliably, efficiently, and at reasonable cost. Recent years have shown that strategic federal action is needed to shore up this backbone of the industry. By fostering competition and accountability among carriers, growing investment in trade corridors, and modernizing labour relations frameworks, Canada can markedly improve supply chain performance for all economic sectors.

While recent federal policy and regulatory solutions to these issues have been insufficient to overcome the inertia of system failure and degradation, we have the

opportunity and will to reverse that trend. Doing so will help to rebuild and prime Canada's economic engine by empowering value-generators like the forest sector to reach new and existing markets, support hundreds of thousands of jobs in hundreds of communities, and strengthen Canada's reputation globally.

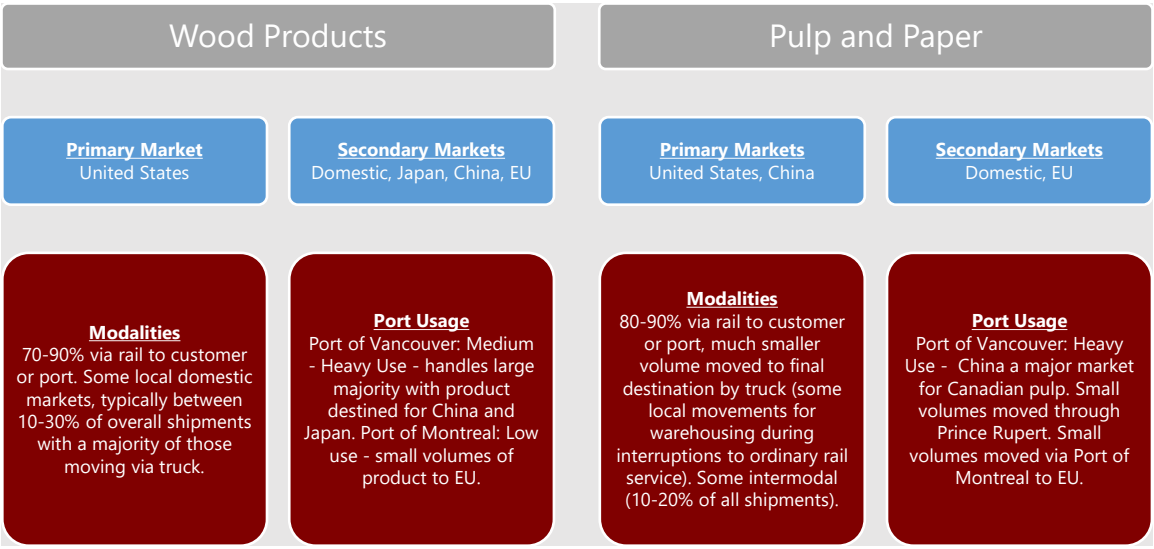
The forest sector has tremendous potential to drive sustainable economic growth—but realizing that potential requires partnership with government to ensure the transportation links from forest to market are world-class. By acting on the policy levers outlined in this report, federal leaders can help deliver a nationwide transportation system that keeps Canada's forest sector—and the economy—moving forward.

For more information, please contact Ben McArthur, Director of Policy, FPAC (bmcarthur@fpac.ca).

ANNEX: Typical Forest Sector Supply Chains

Western and Central Canada

The Western and Central Canadian region (BC, AB, SK, MB) is generally more export-oriented than Eastern and Atlantic Canada, with most wood and pulp and paper products destined for the United States. Relatively easy access to Asian markets via Vancouver also presents offshore export opportunities, particularly for Canadian pulp. Small volumes of certain forest products move through the Port of Prince Rupert, but relative to the Port of Vancouver it is far less significant. In Western Canada, there are fewer opportunities for domestic consumption of both pulp & paper and wood products than in Eastern Canada (which boasts more large urban areas and secondary/tertiary manufacturing), though some significant local domestic markets for wood products do exist around larger urban centres.



Eastern Canada

The Eastern Canadian region (ON, QC) is more diversified in terms of product destinations, owing mostly to a far larger local domestic market opportunity than exists in Western Canada or Atlantic Canada. This means that a larger proportion of goods can move by truck when economical, as the distance from mill to customer tends to be much shorter. Vancouver is still the largest route for offshore exports, but small volumes of certain forest products also move through the Port of Montreal to the EU.

Wood Products		Pulp and Paper	
Primary Markets United States, Domestic	**Secondary Markets** Japan, China, EU	**Primary Markets** United States, China	**Secondary Markets** Domestic, EU
Modalities Split between rail and truck movements relatively even - larger share of traffic moving to domestic destinations increases use of trucking up to 60% of all shipments in some cases. Export-destined traffic still 70-90% rail.	**Port Usage** Port of Vancouver: Medium - Heavy Use - handles large majority with product destined for China and Japan. Port of Montreal: Low use - small volumes of product to EU. Uncommon for marine movement to US market.	**Modalities** 80-90% via rail to customer or port, much smaller volume moved to final destination by truck (some local movements for warehousing during interruptions to ordinary rail service).	**Port Usage** Port of Vancouver: Heavy Use - China a major market for Canadian pulp. Small volumes moved through Prince Rupert. Small volumes moved via Port of Montreal to EU, particularly paper.

Atlantic Canada

Though Atlantic Canada's forest sector (primarily NS, NB) is smaller in scale than in other Canadian regions, it is an important supplier for the Northeastern United States. The majority of product is moved via rail to US markets, with fewer local domestic opportunities to offset volumes.

Wood Products		Pulp and Paper	
Primary Markets United States	**Secondary Markets** Domestic, Japan, China, EU	**Primary Markets** United States, China	**Secondary Markets** EU
Modalities Split between rail and truck movements relatively even - larger share of traffic moving to domestic destinations increases use of trucking up to 60% of all shipments in some cases. Export-destined traffic still 70-90% rail.	**Port Usage** Port of Vancouver: Medium - Heavy Use - handles large majority with product destined for China and Japan. Port of Montreal: Low use - small volumes of product to EU. Uncommon for marine movement to US market.	**Modalities** 80-90% via rail to customer or port, much smaller volume moved to final destination by truck (some local movements for warehousing during interruptions to ordinary rail service).	**Port Usage** Port of Vancouver: Heavy Use - China a major market for Canadian pulp. Small volumes moved via Port of Montreal, Halifax, and Saint John to EU.