

January 23, 2024.

The Right Honourable Justin Trudeau
Prime Minister of Canada
justin.trudeau@parl.gc.ca

Dear Prime Minister,

We are writing to acquaint you with some disturbing developments concerning international shipping and its impacts on Canada's economy. We believe your government will want to take immediate decisions to avoid a serious economic situation.

On January 17th, Panama Canal authorities announced that the severe drought experienced in that region has forced them to reduce traffic by 35%. By itself this would have a very significant economic impacts on businesses and consumers but combined with the Houthi attacks in the Red Sea, the situation will rapidly become quite serious and we are already seeing sharp increases in transportation costs.

The diversion of shipping around Cape of Good Hope does more than simply add additional fuel and labour costs. By adding at least 10 days to transit time these diversions create shortages of vessels and containers. You will recall the crisis that developed in Canada during the covid pandemic as the normal flow of shipping containers was disrupted, a very costly development for your government and Canadian consumers alike.

According to industry research firm Drewry, the average price of shipping containers has doubled since mid-December. Shipping rates in some markets have already risen 80%. Last week Christa Sys, a respected professor at the University of Antwerp, warned that shipper surcharges "of an unprecedented magnitude" are emerging.

Already the Port of Halifax has indicated that more than half of vessels scheduled into the port in the next month will be delayed, sometimes for weeks.

This situation has the potential to affect the entire national economy and reverse the recent cooling trend in inflation. It's for this reason that we are writing to you to express our alarm concerning the deteriorating situation in labour relations at the Port of Montreal. With the most recent actions taken by the disputing parties, Canadian shippers are experiencing steadily deteriorating service levels, a slow strangulation of trade which threatens a serious economic blow to Montreal, to Quebec and to Canadian business generally.

The members of CIFFA are among the people most immediately impacted by this imminent crisis. Already our customers – exporters and importers – are shifting their transport routes to other ports, railways and trucking services. But as we know, the capacity of the Canadian system to manage this shift is limited. As the international shipping community confronts yet another disruption in Canada it will

increasingly take steps to divert goods and those diversions will cost Canadian jobs now and possibly for years to come.

Clearly this is not a problem of your government's creation and we recognize the efforts of Labour Canada to facilitate the negotiations. But just last Tuesday, at an event organized by the Chamber of Commerce of Metropolitan Montreal where you were taking part in a question-and-answer session with Michel Leblanc, president of the Chamber of Commerce, you indicated concern about the long-term consequences of a possible strike at the Port of Montreal and that you are hoping for a negotiated settlement. You noted that such labour disruptions can cause long-term economic pain, but that "the best way to settle disputes is at the negotiating table."

We do not have a position on the issues in dispute. We don't favour one side or the other. As freight forwarders our main concern is the efficiency and reliability of the supply chain. But we are aware the dispute in Montreal is just the latest battle in a far larger war; in 2023 the same shipping firms confronted essentially the same unions in very large strikes on the western coasts of Canada and the United States. In 2024 they will clash again in Montreal and the U.S. East Coast. In Australia rolling port strikes have disrupted traffic since October and continue today.

The main shipping companies are headquartered outside North America. Damage to the Canadian economy is not a significant consideration in this community. For their part, the unions threatening to strike are confident their members will eventually get their backpay in the settlement. The only real losers will be consumers and businesses in Montreal and eastern Canada. No one will compensate them.

Obviously there is little your government can do in either Panama or the Red Sea. But here at home you can take action to ensure the negotiations in Montreal do not punish millions of innocent Canadians.

Recently we took note of a comment by your Labour Minister, the Honourable Seamus O'Regan, indicating he would not go to Parliament to propose back-to-work legislation. We respect his stance and your government's commitment to neutrality in such matters. But as you may know, a request for maintaining essential activities, in accordance with the requirements of the Canada Labor Code, is still pending at the Canada Industrial Relations Board. The Board has asked for more information from the parties, and we are hopeful that the "perfect storm" of factors around the world will cause the Board to agree with the need to avoid a shutdown of the Port. Should this application fail, we will encourage you and your Ministers to move quickly to avoid a situation far more serious than last summer's west coast disruption.

Sincerely,

Bruce Rodgers Executive Director, CIFFA

Julia Kuzeljevich Director, Policy and Regulatory Affairs, CIFFA