



**Comments to the House Standing Committee on Transport, Infrastructure and Communities
on the State of Canada's Supply Chain**

April 4, 2022

Thank you. It's a pleasure to be here today.

My name is Karen Kancens and I'm the Vice President of the Shipping Federation of Canada, which is the national association that represents the owners, operators and agents of ocean ships that carry Canada's imports and exports to and from world markets.

Our members ships load and unload cargo at ports across Canada, and they carry everything from containerized consumer and manufactured goods; to dry bulk commodities such as grain and iron ore; to liquid bulks like crude oil and oil products; to project cargoes such as heavy machinery and industrial parts.

These ships, which are all ocean going and foreign flagged, carry virtually all of Canada's international, seaborne trade, and they therefore play an essential role in connecting Canada's importers and exporters to customers throughout the world.

Although we all tend to view Canada's supply chain challenges through our own particular lens, I think we can all agree that the system has been under tremendous stress over the last two years.

I think we can also agree that much of this stress has been precipitated by two key factors – the first being the global lockdowns and worker shortages created by the Covid pandemic, and the second being the resulting - and unprecedented - surge in demand for imported consumer goods, most of which arrive in North America on board container ships from Asia.

These events have wreaked havoc on our transportation system, causing everything from chronic congestion and slow turnaround times at ports and terminals, to shortages of vessel space and equipment, to delays at many touchpoints along the inland transportation system, including on the truck, rail and warehousing sides.

Although our supply chain is by no means out of the woods, we are confident that these conditions will eventually subside, especially as Covid-19 transitions from pandemic to endemic status, and as the current level of demand for imported goods returns to more reasonable levels.

One thing that we often hear is that the current state of the supply chain has been nothing but good news for container carriers, and that their ability to enter into alliances and other types of collaborative agreements is the main factor that has made container shipping capacity so scarce and profits so high.

According to this line of thought, Canada should therefore provide for greater regulation of the container sector by prohibiting shipping lines from entering into such agreements altogether.

Let me just say that such action would do very little to resolve the bottlenecks, delays or pricing issues that supply chain stakeholders are currently facing, and indeed, could potentially disincentivize some carriers from serving the Canadian market altogether.

Operational agreements between container lines are essential components of the global service network, and most carriers rely on them to offset the extremely high capital costs of operating in the container shipping market.

Under these agreements, partners agree to share vessel space and operational resources, which allows them to offer regular service across a wider range of ports - on larger and more efficient vessels - than would be possible if they were all operating individually.

About 80 percent of the world's container shipping services are provided through some form of operational agreements among carriers, and I can't overstate their role in ensuring the availability of stable and cost-effective transportation services for the movement of the world's trade.

So, if focusing on shipping line alliances is, in our view, a misguided response to addressing our current challenges, what kinds of actions should we be taking to strengthen our supply chain and its ability to weather future shocks and disruptions?

I would suggest that we need to focus on three key factors: infrastructure, digitization and capacity.

First, we need a national, coordinated approach to infrastructure investment – one that is linked to Canada's trade growth and trade diversification agenda, and supported by clear objectives for approved projects and clear metrics for measuring success.

Second, we need a national supply chain digitization strategy, which focuses on connecting the digital platforms that ports and other stakeholders have already built, and leveraging the resulting benefits to optimize the performance of the system as a whole.

And finally, we need to find ways of temporarily injecting more capacity into our transportation system in response to specific needs.

Among other things, this means making better use of under-utilized trade corridors, simplifying reporting requirements when ships need to change their ports of call, and removing regulatory barriers that make it difficult to use all available assets in a given situation.

We believe that this combination of long-term strategies and short-term solutions represents the best means of positioning our supply chain for success, whatever the future holds.

Thank you for listening and I would be pleased to answer any questions you have.