



Sectoral Profile

Transportation and Warehousing

Ontario

2016-2018



Sectoral Profiles provide an overview of recent labour market developments and outlooks for some of the key industries in various regions of the country.

GROWTH EXPECTED ACROSS MOST SEGMENTS OF TRANSPORTATION AND WAREHOUSING

- Lower energy costs, a weaker loonie, and investments in regional transit will support employment in the transportation and warehousing industry in the short- to medium-term
- Structural changes in the industry and uncertainty at the national mail provider may dampen growth
- Increased industrial output is expected to lead to an average annual employment growth rate of 0.9% over 2016–2018

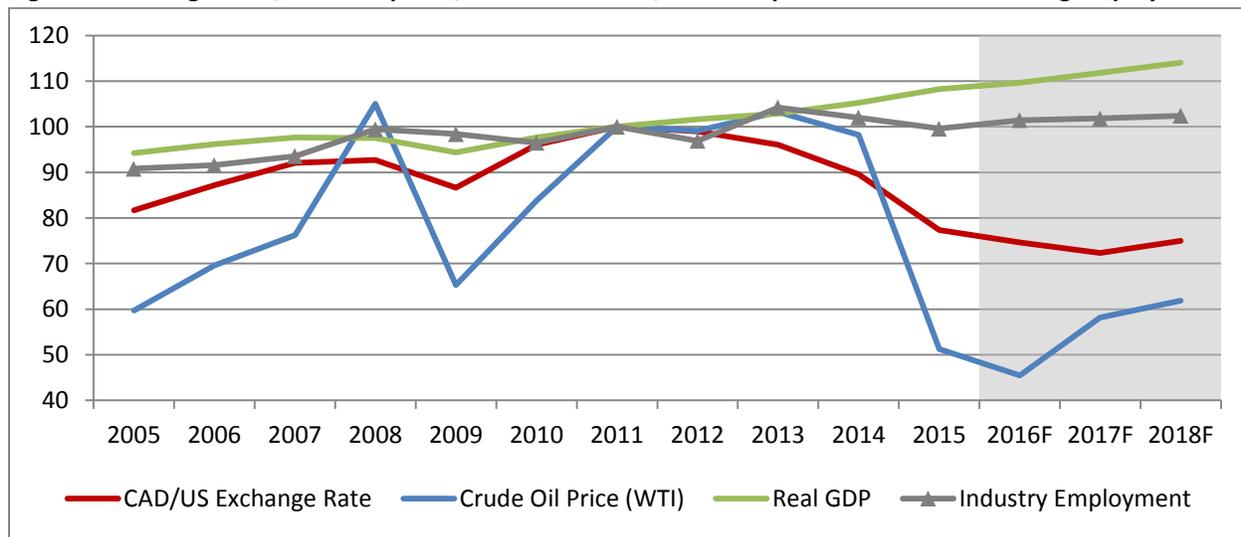
Transportation of goods and people are essential services that support all other industries, rising and falling with the pace of economic activity in other sectors. Within the transportation and warehousing, employment is largest in truck transportation, and transit and ground passenger transportation (which includes subways, light rail, taxi and limousine services, and buses). Transit and trucking combined make up roughly half of employment in Ontario's overall transportation and warehousing sector. They also generate a large portion of industry output. Trucking's contribution to industry GDP was 26% in 2015, while transit and ground transport generated over 12%.¹ The remaining sub-industries include, i) air, rail and water transportation and related support activities, ii) pipeline transportation of oil, gas and refined petroleum products, iii) scenic and sightseeing transportation, iv) postal services, v) courier and messenger delivery services and vi) warehousing and storage.

Employment in the industry is affected not only by economic cycles but also by policy and planning, particularly in the postal and transit subindustries. According to Statistics Canada's Labour Force Survey, transportation and warehousing employment levels rose by 1.8% to 327,200 in 2016, after declining in 2014 and 2015 (Figure 1). Employer payroll data suggest gains were concentrated in warehousing and storage, support activities for transportation, air transportation, and truck transportation as the industry benefitted from higher wholesale and retail figures, robust exports, and elevated airline profits. Declines in employment were driven by

¹ Statistics Canada. CANSIM Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS). *Statistics Canada*. Retrieved from <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3790030>

structural changes in several transportation subindustries, including postal services, courier and messenger delivery, and some segments of transit and ground transport.²

Figure 1: Exchange rates, crude oil prices, Ontario real GDP, and transportation and warehousing employment



Source: Employment – Statistics Canada Labour Force Survey, Service Canada forecasts; Crude Price (WTI) – U.S. Energy Information Administration, Consensus Economics forecasts; Real GDP – Statistics Canada, Consensus Economics forecasts

Higher trade volumes, a weaker loonie, and depressed fuel prices will support air and ground transport

Ontario's merchandise trade continued to expand in 2016, increasing the province's share to over half of total Canadian merchandise trade. The province registered growth in both its total exports and total imports, primarily with the US, our largest trading partner by far. In 2016, provincial international trade was \$582 billion, \$395 billion of which was with the US.³⁴ Driven by geography, the majority of Ontario-US trade value arrives by road; 80% of imports and 65% of exports.⁵ Other international trade is split between marine shipping and air-cargo, the latter largely reserved for higher-value and/or lower-weight shipping.

Trade volumes are affected by the strength of the Canadian dollar which has shed over 20% of its value against the US dollar since 2013.⁶ A lower exchange rate and stronger US economy typically bode well for Ontario manufacturing. Recent signs of strength in the US economy, especially demand for cars and trucks, likely bolstered demand for cargo carriers' services.⁷ While lower CAD/USD exchange rates may negatively affect shipments to Canada, as imports priced in foreign currency become more expensive, overall trade volumes are expected to improve, positively impacting Ontario trucking activity and employment in 2017 and 2018.

The cheaper Canadian dollar is tied to recent weakness in global demand for oil and commodities, as well as persistence of supply, which led to a dramatic drop in global crude and metal prices over 2014–2015.⁸ The

² Statistics Canada. CANSIM Table 281-0023 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS)

³ Statistics Canada, *Canadian International Merchandise Trade Database*

⁴ Statistics Canada, CANSIM Table 228-0060

⁵ US Department of Transport, Bureau of Transportation Statistics.

⁶ Statistics Canada, CANSIM Table 176-0064

⁷ Export Development Canada. (2016, April 26). **Ontario will be Canada's export leader in 2016**. Retrieved from <http://www.edc.ca/EN/About-Us/News-Room/News-Releases/Pages/GEF-Ontario-export-leader-2016.aspx>

⁸ Energy Information Administration, Cushing, OK WTI crude spot prices; Statistics Canada, CANSIM Table 176-0064

corresponding fall in jet and diesel fuel costs⁹ will benefit air and truck transport, and is expected to support employment in both subindustries. Outlooks are mixed for rail transport. Weaker commodity prices continued to moderate rail freight volumes at the national carriers in 2016, increasing cost pressures and efforts to curb labour spending. However, improved global economic activity and demand for oil in late 2017 is expected to lead to increased oil-by-rail shipments,¹⁰ bolstering profit margins at major Canadian railways. Record crop yields in Canada over 2016–2017¹¹ will also help maintain demand for rail and rail support services.

West Texas Intermediate crude oil prices are forecast to show moderate gains through 2017–2018, curbing CAD exchange rate growth.¹² A weaker exchange rate also encourages international visits to Ontario at the cost of ‘outbound’ travel. In 2016, annual visits by both US and non-US international residents grew. An increasing share of U.S. resident visits is via commercial means instead of private vehicles, benefitting the transport industry. While the weaker CAD/US exchange rate has reduced travel by Ontarians to south of the border, it has also made the Euro and other exchange rate relatively more favourable, increasing the number of trips from Ontario to non-US destinations.¹³ Employment spillovers will likely accrue in tourism-related transportation including air, transit, and scenic and sightseeing transport.

Airline employment continuing its climb

The air transportation subindustry includes establishments mainly engaged in the transportation of people and goods. Purser and flight attendants (NOC 6432), air pilots, flight engineers and flying instructors (NOC 2271), and airlines sales and service agents (NOC 6433) make up close to 60% of the workforce.

Air transportation employment continued to benefit from airline profitability in 2016¹⁴ as depressed oil prices helped lower aviation fuel costs.¹⁵ Airline fuel prices were approximately 30% of airlines’ operating expenses in 2011.¹⁶ Jet fuel prices in the province have fallen by over a third since then, shoring up industry margins. A provincial aviation fuel tax increase from 3.7c/L to 6.7c/L currently being phased in over 4 years may temper the fuel cost drop, but airlines are still expected to gain sizable profits.¹⁷ A risk to industry bottom lines may come from new discount entrants, but these have a mixed history of success and are more likely to compress profit margins at larger incumbents than to threaten their market share.

In addition to being affected by lower fuel prices, air transport will benefit from currency volatility’s effect on international demand. Travel volume to Ontario rose sharply in 2016, with a staggering 19% increase in the number of air-travellers from the US and a 20% increase in air-travellers from elsewhere.¹⁸ Both Air Canada and

⁹ Statistics Canada. CANSIM Table 329-0075 - Industrial product price index, by North American Product Classification System (NAPCS)

¹⁰ Morgan, G. (2017, March 10). [Oil pipeline bottlenecks expected as early as this year as Canadian output beats estimates, warns Morgan Stanley](http://business.financialpost.com/news/energy/oil-pipeline-bottlenecks-expected-as-early-this-year-as-canadian-output-beats-estimates-warns-morgan-stanley). *The National Post*. Retrieved from <http://business.financialpost.com/news/energy/oil-pipeline-bottlenecks-expected-as-early-this-year-as-canadian-output-beats-estimates-warns-morgan-stanley>

¹¹ Agriculture and Agri-Food Canada. (February 17, 2017). [Canada: Outlook for Principal Field Crops, 2017-02-17](http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/crops-industry/outlook-for-principal-field-crops-in-canada/canada-outlook-for-principal-field-crops-2017-02-17/). Retrieved from <http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/crops-industry/outlook-for-principal-field-crops-in-canada/canada-outlook-for-principal-field-crops-2017-02-17/>

¹² Consensus Economics (2017, February 20), [Energy & Metals Consensus Forecasts](#)

¹³ Statistics Canada *International Travel Survey: Frontier Counts* CANSIM Table 427-0001

¹⁴ The Conference Board of Canada. (2017, January 26). [Canada’s Air Transportation Industry: Industrial Outlook Winter 2017](http://www.newswire.ca/news-releases/canadian-airline-industry-still-flying-high-613019203.html). Retrieved from - <http://www.newswire.ca/news-releases/canadian-airline-industry-still-flying-high-613019203.html>

¹⁵ Statistics Canada. CANSIM Table 329-0076 - Industrial product price indexes for selected groups within the North American Product Classification System (NAPCS), by region, monthly

U.S. Energy Information Administration. (2017, February). [Cushing OK WTI Spot Price FOB, Annual](http://www.eia.gov/opendata/gb.cfm?sdid=PET.RWTC.A). Retrieved

from <http://www.eia.gov/opendata/gb.cfm?sdid=PET.RWTC.A>

¹⁶ Transport Canada, *Transportation in Canada 2011*

¹⁷ Ontario Ministry of Finance, <http://www.fin.gov.on.ca/en/tax/gt/>

¹⁸ Statistics Canada, *International Travel Survey*, CANSIM Table 427-0001

WestJet increased their number of international flights in recent years. Ontario is also responsible for almost half of Canadian international cargo.¹⁹ Volumes in both are set to increase as Air Canada and the Greater Toronto Airport Authority signed an agreement in 2014 to develop Pearson International Airport into a global transit hub.²⁰ The Airport Authority has similar agreements with several other airlines. Though the lower CAD is yet to reflect in sharply higher airplane parts and maintenance costs, the Loonie is expected to moderately strengthen over 2017–2018 which could dampen future airline profits but likely won't reduce travel volumes. Demand for air travel is expected to persist as airline passenger traffic is expected to double in southern Ontario over the next few decades, supporting employment growth in the near-term.

Truck transportation on a roll as US economy revs up

The truck transportation subindustry includes establishments mainly engaged in the truck transportation of goods. Truck drivers (NOC 7411) make up 65% of employment in this subsector. Material handlers (NOC 7452), dispatchers and radio operators (NOC 1475) and transportation managers (NOC 0713) are also significant occupations in the sector.

Trucking moves 77% of total freight tonnage in Ontario²¹ and provides both the most nimble mode of moving goods and the first- and last-mile delivery on which all other modes depend. A decrease in fuel costs is welcome news to carriers. The potential elimination of internal trade barriers between provinces would also be a boon to provincial trade and, by extension, transport trucking employment.²² As the US economy heats up, potential spillovers into Ontario's trade volumes over 2016 and 2017 are expected to support trucking employment in the province. Rising e-commerce sales may also stimulate some growth in international cargo volume as small businesses expand their international reach through the world-wide web.²³ Notable recruiting challenges for truck drivers, particularly long-haul drivers, have plagued the subindustry and may constrain demand effects on employment growth.

Employment growth in urban transit overtaking other segments of ground passenger transportation

The transit and ground passenger transportation subindustry mainly encompasses employment in urban transit systems, interurban and rural bus transportation, taxi and limousine services, school and employee bus transportation, and charter buses. Bus driver and subway and other transit operators (NOC 7412) make up close to half of the workforce and taxi and limousine drivers and chauffeurs (NOC 7413) are another quarter.

Marketplace churn is affecting the taxi and limousine segment where employment declined in 2016, in contrast to the rest of the transit and ground transportation sub-industry.²⁴ Taxi and limousine services are facing strong competition from the sharing economy as emerging technologies to connect vehicles-for-hire with passengers eat into incumbents' fares and profits. While government policy towards new companies such as Uber and Lyft is still taking shape, their lower costs and lower prices could increase small-vehicle transportation use in

¹⁹ Statistics Canada, CANSIM Table 401-0045

²⁰ Carr, D. (March 03, 2014). Dealing with Pearson's Dilemma. *Wings Magazine*. Retrieved from: <http://www.wingsmagazine.com/content/view/9714/61/>

²¹ Ministry of Transportation of Ontario 2012, *Building Competitiveness: A Proposed Multimodal Goods Movement Strategy for Ontario*

²² CBC (June 9, 2015). Provincial, territorial ministers agree to knock down trade barriers. *CBC*. Retrieved from: <http://www.cbc.ca/news/business/provincial-territorial-ministers-agree-to-knock-down-trade-barriers-1.3106037>

²³ Ahmed, U. and Melin, H. (2016, July 26). *Technology-Enabled Small Business Trade in Canada: New Evidence from eBay Marketplaces*. Institute for Research on Public Policy. *The Art of the State Volume IV*. Retrieved from - <http://on-irpp.org/2eLaP69>

²⁴ Statistics Canada. CANSIM Table 281-0023 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS). *Statistics Canada*. Retrieved from <http://www5.statcan.gc.ca/cansim/a26?id=2810023>

Ontario while mitigating demand for taxi and limousine services. Uncertainty about the final impacts of these technological disruptions still prevails as local government policies race to adjust. Government investment in transit and transportation, e.g. establishing Metrolinx in the Greater Toronto and Hamilton Area, is a key influencer of transit use.²⁵ Combined with growing urban density, large-scale transit projects in several urban centers in southern Ontario will likely support transit employment in the near-term.

Continuing uncertainty at Canada Post unlikely to deliver increased employment

In the mail and courier segments, ongoing technological shifts from physical letter and business mail to digital modes have been squeezing employment for several years. Across the country, over half the workers in the postal service and couriers and messengers subindustries are employed by the Canada Post Group of Companies.²⁶ As letter mail volumes have declined with the rise of electronic communication and e-billing, its national workforce fell by 12% between 2007 and 2015, mainly at the Canada Post Corporation.²⁷ In 2014 Canada Post announced a plan to adjust operations and reduce its workforce. The expected labour reduction from restructuring was over 10% in 10 years, largely through attrition.²⁸ To that end, it began increasing the automation of mail sorting and sequencing in several of its 21 mail processing plants, many of which are in Ontario, and consolidating letter processing into larger plants within major urban centres.²⁹ This reduces the need for manual labour and affects occupations such as mail, postal and related clerks (NOC 1461).³⁰ Further changes include phasing out urban home delivery in favour of community mailboxes, reducing the need for letter carriers (NOC 1462). Two-thirds of Canada Post Corporation's employees are in urban postal operations.³¹ However, community mailbox roll-outs were put on hold in late 2015.³² A further saving grace for the Group may be increased parcel volume as e-commerce shipping increases due to growing online orders. While private sector growth may generate some jobs, particularly in parcel delivery, employment in the subsector is expected to remain relatively flat, or even see a slight decline, over 2016-2018.

Employment in warehousing and storage propelled stronger sales and rise in e-commerce

The warehousing and storage subindustry is a small component of the overall transportation and warehousing sector, employing less than 10% of the workforce. Material handlers (NOC 7452) and shippers and receivers (NOC 1471) make up 49% of employment in warehousing and storage. Warehousing and storage saw steady growth in employment over 2012 to 2015 but contracted in 2016.³³ Strong retail³⁴ and wholesale³⁵ sales growth in Ontario over the last three years and higher resulting inventory turnover supported both the warehousing

²⁵ The Transit Cooperative Research Program (1997) *TCRP REPORT 27: Building Transit Ridership: An Exploration of Transit's Market Share and the Public Policies That Influence It*

²⁶ Includes the Canada Post Corporation and its subsidiaries, Purolator Holding Ltd., SCI Group Inc., and Innovapost Inc.

²⁷ Total 2015 workforce including all Canada Post Group of Companies excluding temporary, casual, and term employees, was 63,846.

²⁸ Canada Post. December 2013. *Canada Post's Five-point Action Plan: Ready for the Future*

²⁹ Schnurr, J. May 13, 2014 "Canada Post to cut Ottawa jobs, move processing to Montreal" *CTV News*. Retrieved September 15, 2014: <http://ottawa.ctvnews.ca/canada-post-to-cut-ottawa-jobs-move-processing-to-montreal-1.1819970>

³⁰ Canada Post Corporation *Annual Report 2014*

³¹ Canada Post Corporation *Annual Report 2015*

³² Tait, Carri; Perreux, Les. (October 26, 2015). "Canada Post suspends plans to install community mailboxes". *The Globe and Mail*.

Retrieved from: <http://www.theglobeandmail.com/news/politics/canada-post-erecting-community-mailboxes-despite-liberal-delivery-pledge/article26981780/>

³³ Statistics Canada, *Labour Force Survey* custom tabulations

³⁴ Statistics Canada. **CANSIM Table 080-0020 - Retail trade, sales by the North American Industry Classification System (NAICS)**.

Statistics Canada. Retrieved from <http://www5.statcan.gc.ca/cansim/a26?id=0800020>

³⁵ Statistics Canada. **CANSIM Table 081-0011 - Wholesale trade, sales by the North American Industry Classification System (NAICS)**.

Statistics Canada. Retrieved from <http://www5.statcan.gc.ca/cansim/a05?id=0810011>

and storage and the ground cargo industry segments. The sector may see significant change in the near-term, as companies consolidate warehouses into centralized locations to reduce costs and work to improve inventory management through technological innovation. Helped along by the rise of e-commerce, the increased use of technology is likely to require more of workers, especially in computer skills and safety. The warehousing segment of the industry is expected to register moderate employment growth over 2016–2018.

Sector Outlook, 2016-2018

Employment in transportation and warehousing is affected by economic conditions, both in Ontario and abroad. A lower currency, higher trade volumes and increased travel should support transport demand and employment. Overall, employment contractions in postal services will be more than offset by gains in air transport, transit, and trucking. During 2016–2018, industrial employment is expected to grow by an annual average of 0.9% in Ontario. Despite differences in regional subindustry concentrations, all economic regions are expected to show growth, led by southern and parts of eastern Ontario.

Sub-provincial trends

The **Ottawa** economic region employs close to 7% of Ontario's transportation and warehousing workers and is expected to see above-average growth in 2016–2018. Air transportation is centred in and around Ottawa's McDonald-Cartier International Airport. Flight traffic creates jobs in transportation support, in airport operations, and transportation safety. National carriers Westjet and Air Canada both maintain a sizeable presence in the region, as do smaller regional carriers such as First Air. In ground transportation, the city's light rapid transit operator, OC Transpo, is set to open its new east-west rail in 2018. However, the transit operator is also looking to shave operating costs by shedding close to 500 positions once the train service is online.³⁶ Across the region, VIA Rail is investing in track, safety, and signalling enhancements along its Montreal–Ottawa corridor to increase train safety and frequency, including centralized traffic control. Due to its proximity to the Trans-Canada Highway, Cornwall has emerged as a distribution hub, housing large warehouse and storage facilities for retail giants such as Walmart Canada, Loblaws, and Shoppers Drug Mart.³⁷ Walmart recently increased its capacity there by taking over the former Target Canada distribution centre.

At close to 50%, the **Toronto** economic region has the highest share of transportation and warehousing employment in the province. The region is expected to register average industrial employment growth over the three-year forecast period. **Toronto** boasts significant transport activity, particularly in the north and west of the Greater Toronto Area. It also benefits from a number of inter-modal transport hubs including Toronto Pearson International Airport, the largest airport in Canada, and several marine and rail interchange terminals, with supporting linkages to trucking. Large national retailers, consumers, and industrial technology companies maintain warehouses in the region to leverage this logistics network. The region's population and density has warranted several transit projects by sub-regional transit operators, such as VIA Rail, Go Transit and the Toronto Transit Commission (TTC), some in partnership with Metrolinx. Major projects include the TTC subway line extension north to York University which is set to open in late 2017 and the Eglinton light rail line currently under construction. These activities and investments should have a positive impact on employment.

Close to 10% of the transportation and warehousing industry's workforce is located in the **Kitchener–Waterloo–Barrie** economic region. The industry is expected to record the highest growth in employment over

³⁶ Chianello, J. (2016, July 11). **OC Transpo to shed 500-600 positions after LRT starts rolling in 2018**. *CBC News*. Retrieved from <http://www.cbc.ca/news/canada/ottawa/oc-transpo-cut-hundreds-jobs-2018-1.3674447>

³⁷ McMaster Institute for Transportation & Logistics 2014, *Truck Freight Generators and Attractors in the Province of Ontario*

three years among all other regions. With its proximity to producers in different manufacturing segments and access to multiple 400-series highways, the region is home to several large long-distance trucking companies such as Elgin Motor Freight, Gibson Transport, and Challenger Motor Freight. Population growth in the region's urban centres is also supporting the transit subindustry. For example, the municipality of the Region of Waterloo has invested in an adapted bus and rail service expansion along a 17km stretch of a future light rail transit corridor. Rail line construction is nearing completion on stage 1 and service is expected to commence in 2018. In the north of the region, GO Transit's rail service has also been improving its signaling system to increase train service along the Barrie–Toronto corridor.

Transportation and warehousing employment in the **Hamilton–Niagara** economic region comprises 9% of the provincial total. Industry employment growth is expected to be higher than average over 2016–2018. The region is a logistics hub due to its geographic location, manufacturing history, and harbours. Several water transport and towing companies are based in its coastal centres, connecting with the Great Lakes–St. Lawrence Seaway transport artery. The region also plays a key role in air freight as the John C. Munro Hamilton International Airport loads and unloads more cargo flights than its larger counterpart in Toronto and sees over 40% of Ontario's domestic cargo. Both domestic and international air cargo volumes at Hamilton Airport jumped by 25% after the new 77,000 square foot Air Cargo Centre opened in 2015.³⁸

The **Northwest** economic region has the smallest share of this industry's workforce, but the highest concentration of workers compared to other economic regions. Due to its large area and challenging geography, the Northwest has quite a few medium and small, scheduled and non-scheduled air transportation providers. The mineral and forest product harvesting history of the region has also led to a sizeable rail network and a high concentration of rail occupations. Lower global commodity prices are exacting a heavy toll on rail employment both locally and across the province but positive signs for global oil prices and a record harvest may stimulate demand for rail and rail support services.

Of the remaining economic regions **Kingston–Pembroke**, **London**, and **Windsor–Sarnia** will see the slowest industry growth, but none are expected to register losses in 2016–2018. **Muskoka–Kawarthas**, the **Northeast**, and **Stratford–Bruce Peninsula** should experience largely average growth over that period.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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³⁸ Statistics Canada CANSIM Table 401-0045