



# Sectoral Profile

## Transportation and Warehousing

Region of Western Canada and the Territories

2015-2017



### EXECUTIVE SUMMARY

Accounting for about 4.9% of the Western Canada and Territories' gross domestic product (GDP), the transportation and warehousing sector employed 347,200 people across this region in 2015. Growth in this industry has seen an improvement in the past year thanks to favourable economic conditions that encourage higher trading volumes. Going forward, the outlook for the transportation and warehousing sector remains positive as a weakened Canadian dollar will facilitate exports.

### KEY DRIVERS

- A declining Canadian dollar will make Canadian exports more competitive and drive demand for efficient shipping solutions in the sector's numerous industries.
- The transportation and warehousing sector will continue to expand as it meets the shipping requirements of Canada's export market and the travel demands of a growing population.
- Falling oil prices may have a positive impact for many transportation firms as fuel costs represent a significant operations cost. Conversely, oil and gas extraction industries may see a reduced need for transportation services if demand for their products wanes.

### BACKGROUND

The transportation and warehousing sector covers a diverse network of connected industries. The sector facilitates the transportation of cargo and passengers and the warehousing and storage of goods. It also includes tourism transportation and other support activities. Transportation and warehousing is also a major contributing factor to the health of the regional goods-producing industries. Over the last ten years, transportation and warehousing employment kept pace with overall employment growth in all Western

provinces.<sup>1,2</sup> However, in British Columbia and Alberta the average yearly rate of growth was higher than the average of all industries, 2.9% compared to 2.1% in Alberta and 2.1% compared to 0.8% in British Columbia.<sup>3</sup>

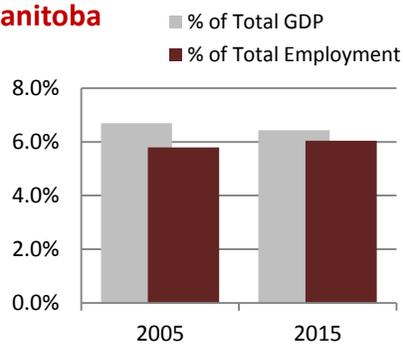
When looking at the transportation sector's economic performance, the inventories-to-shipments ratio is used as a measure of health as it reflects the level of activity in the freight sector. A healthy sector will tend to go along low inventories and high shipments. Conversely, decreases in transportation business activity mean that inventories are accumulating and shipments are stagnating. By 2015-2016, the inventories-to-shipments ratio had reached almost record levels, suggesting the sector is facing major challenges.<sup>4</sup>

The sector is still suffering from the low commodity prices. Between 2008 and 2009, almost 11,800 transportation and warehousing jobs were lost across the four westernmost provinces.<sup>5</sup> But since then, employment has been growing, likely linked to the low value of the Canadian dollar which is driving exports.

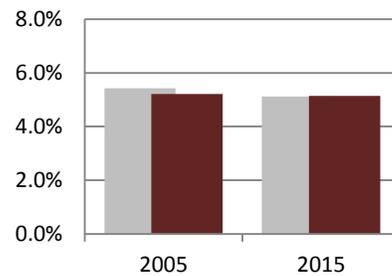
As an economic driver, the transportation sector represented between 4.9% and 6.0% of the GDP of Western Canada's provinces in 2013.<sup>6</sup> The lowest shares were in Nunavut and Yukon where transportation and warehousing accounted for 2.2 and 3.2% of the territorial GDP in 2015.<sup>7</sup> In contrast, the sector comprised 7.2% of Northwest Territories' economy.

### Transportation and Warehousing’s Provincial % Share of Employment and GDP, 2005 vs. 2015

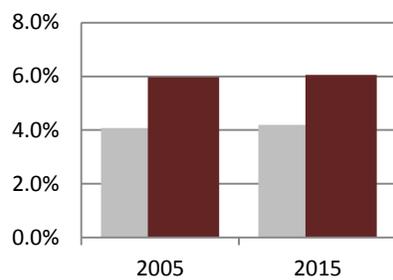
#### Manitoba



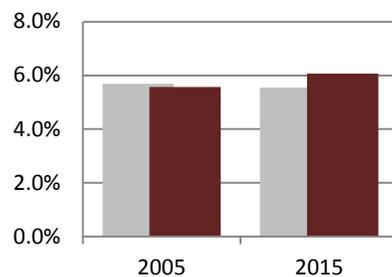
#### Saskatchewan



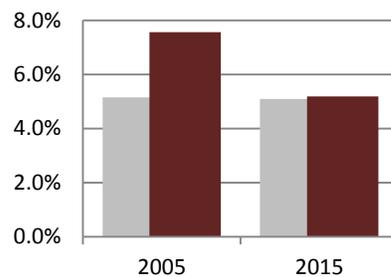
#### Alberta



#### British Columbia



#### Territories



Sources : 1. Statistics Canada CANSIM Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (dollars) 2. Statistics Canada Labour force estimates by detailed industry, age, sex, class of worker

## INDUSTRY TRENDS

Although the transportation and warehousing sector contains twelve industries, the main modes of transportation are air, rail, road, and water. Truck transportation is the largest employer across all Western Provinces, with other industries having varying degrees of importance by region.

### **Air transportation**

The air transportation industry employs 8.8% of all workers in the transportation and warehousing sector in Western and Northern Canada.<sup>8</sup> Although couriers, messengers, and postal service may be included in this mode of transportation, the movement of passengers and cargo is the key component of the air transportation industry.

Western Canada houses five of the ten busiest airports in Canada by cargo; Vancouver, Calgary, Edmonton, and Winnipeg, and Victoria.<sup>9</sup> Calgary is also the base for WestJet operations. In 2015, Western Canada transported 441,500 tonnes of cargo (domestic and international) by air, through 25,800 flights.<sup>10</sup> This accounted for 38% of Canada's air freight that year. In 2015, Vancouver International Airport handled 20% of Canada's air freight traffic.<sup>11</sup> Passenger traffic at Western Canada's airports increased by a modest 0.7% in 2014 to 58 million passengers.<sup>12</sup> Most of the growth came in British Columbia (+3.9%) with passenger traffic in seeing a slight decreasing other provinces.<sup>13</sup>

Going forward, passenger travel may decline as the Canadian dollars loses its value in the US and internationally, discouraging Canadians from travelling abroad. Nonetheless, both major airlines operating in the West were profitable in 2015. Nationally, Air Canada's profits reached \$101 million<sup>14</sup> while WestJet's earnings were \$87.6 million.<sup>15</sup> Both airlines are undergoing fleet renewal plans that should be completed by 2017.<sup>16</sup> A recent drop in fuel prices has reduced the airlines' overhead; however, the weakened Canadian dollar has offset some of these gains.

### **Rail transportation**

The resource-rich western provinces and territories ship the largest percentage of goods by rail in Canada. In 2015, Western Canada carried 53.2% (154 thousand rail cars) of all rail cargo in the country.<sup>17</sup> Not surprisingly, the top five most transported goods (by rail cars) in the west are byproducts of agriculture and resource extraction; wheat (13.1%), potash (9.7%), fuel oils and crude petroleum (6.4%), and canola seed (5.2%).<sup>18</sup> In Western provinces, the industry employed 8,500 working in 2015, accounting for 3.1% of total employment in the transportation and warehousing sector.<sup>19</sup>

A number of intermodal facilities opened in Western Canada in recent years as provinces and companies embrace facilities that provide ease of transition between road, rail, and often air. Canadian National Railway Company's \$100 million Logistics Park opened in Calgary, and Canadian Pacific opened an intermodal facility at Regina's Global Transportation Hub. In Winnipeg, tri-modal inland port CentrePort Canada is located adjacent to an international cargo airport, three Class 1 railways, and international trucking routes. Intermodal freight transport allows freight to be transferred faster. It also reduces cargo handling, which in turn reduces damages and loss and increases security.

### **Truck transportation**

In 2015, truck transportation accounted for 29.0% (78,800) of all transportation and warehousing employment in Western Provinces.<sup>20</sup> Truck transportation represents a particularly large portion of employment in Saskatchewan's (43.7%) transportation and warehousing sector. Truck transportation is more flexible than rail

transport and more cost-effective than air transport. For these reasons, truck transportation is the favoured mode of shipping by land and explains its place as the dominant employer within transportation and warehousing. In 2014, trucking traffic amounted to 276.2 billion tonne-kilometres, up 9.9% from 2013. Around 40% of that traffic involved movement across international borders.<sup>21</sup>

In 2015, around 10.6 million two-way trucking movements were recorded at Canada/U.S. border points, similar to the traffic observed in 2014. Over 68% of these movements were related to Canadian registered trucks.<sup>22</sup> The value of trucking traffic between Canada and the U.S. totaled \$410 billion in 2015 (\$206 billion for exports and \$204 billion for imports), up 10.5% from 2014.<sup>23</sup> The same commodities dominated both exports and imports: automotive products, machinery and electrical equipment, other manufactured products, and agricultural products.<sup>24</sup>

Lower gas prices in 2014 and 2015 may not have had as much of a positive impact on the trucking industry as some had hoped. Although diesel prices have declined significantly, they have not kept pace with regular gasoline price cuts. Fuel surcharges are also imposed by trucking companies to keep prices stable while the market fluctuates. Higher diesel prices mean higher surcharges, and lower prices should result in freight companies reducing surcharges to remain competitive. Going forward, the highly-competitive industry will likely adjust freight rates to stay in line with fuel prices.

### **Marine transportation**

British Columbia is the home of large water transportation industry, both for passenger and freight traffic. In 2015, international cruise ships carried close to 1.34 million passengers at major Canadian ports mainly in Vancouver (805,400 passengers), Halifax (222,300) and Québec City (122,000).<sup>25</sup> BC Ferries, Canada's largest ferry operator, recorded carrying 6.4 million vehicles and 16.7 million passengers on various routes, representing an increase of 4.4% and 4.0% respectively from 2014.<sup>26</sup>

Regarding freight traffic, Port of Vancouver handled 138.2 million tonnes of freight in 2015.<sup>27</sup> Of which, 70% were bulk commodities (coal, grain, basic minerals, fertilizers, wood products and petroleum products).<sup>28</sup> By comparison, Montreal, which is the second busiest port, handled 32.0 million tonnes in 2015.<sup>29</sup>

As of August 8, 2016, all operations have stopped at the Churchill Port in Northern Manitoba.<sup>30</sup> The Denver-based owner, OmniTRAX Inc, has suspended all grain shipments to Canada's only deep-water Arctic port.<sup>31</sup> Even if the average shipments have been small at about 500,000 tonnes, the port had been the biggest employer in the subarctic town of 800 people. Port employees made up about 10 per cent of the population.<sup>32,33</sup>

### **Warehousing and storage**

About 5% of workers in the transportation and warehousing sector work in the warehousing and storage sub-sector. This represented above 14,000 workers in 2015. But while the inventories-to-shipments ratios remain high, employment in the warehousing sub-sector is decreasing. Initiatives such as business-to-business services (logistics, transportation, labelling, inventory and inventory management, etc.) could help the future growth in this sub-sector.

**Postal services sector**

For the past several years, the Canada Post Corporation has been confronted with a higher number of addresses to serve, but a sharp decrease in the number of letters to deliver. This has resulted in a 10 percent drop in its national workforce between 2007 and 2014. The Corporation adopted a series of measures to improve mail processing and reduce delivery-related revenue losses. As a result, post offices were closed, retiring employees were not replaced, and a transition from home delivery to community mail boxes was announced. After three consecutive deficits, the Corporation posted an operating profit in 2014, its first in four years, which it attributes to the its new action plan, strong growth in the parcel sector, new progressive pricing, and lower employee benefit costs.

**EMPLOYMENT OUTLOOK**

**Projected employment change for the transportation and warehousing sector during the 2015-2017 forecast period**

Economic Region	Projected Change in Employment	Projected Annual Growth
<b>Manitoba</b>	<b>2,700</b>	<b>2.5%</b>
Southern Manitoba		2.5%
Winnipeg		2.5%
Northern Manitoba		2.5%
<b>Saskatchewan</b>	<b>-700</b>	<b>-0.8%</b>
Regina & Southern Saskatchewan		-0.7%
Saskatoon & Northern Saskatchewan		-0.8%
<b>Alberta</b>	<b>5,600</b>	<b>1.4%</b>
Calgary & Southern Alberta		1.5%
Edmonton, Red Deer, Camrose, & Drumheller		1.2%
Northern Alberta and Banff		1.6%
<b>British Columbia</b>	<b>3,900</b>	<b>1.0%</b>
Vancouver Island & Coast		0.9%
Lower Mainland - Southwest		1.1%
Okanagan - Kootenay		0.7%
Northern BC		0.3%
<b>Yukon</b>	<b>120</b>	<b>-0.3%</b>
<b>Northwest Territories</b>	<b>150</b>	<b>2.9%</b>
<b>Nunavut</b>	<b>-10</b>	<b>3.3%</b>

Source: Service Canada Regional Occupational Outlooks in Canada, 2015-2017

- Almost all Western Canadian provinces are expected to experience employment growth in transportation and warehousing between 2015 and 2017. Alberta and BC are expected to experience the most rapid

growth, with projected employment increases of 5,600 and 3,900 respectively. Manitoba is expected to post more moderate gains and Saskatchewan some modest losses.

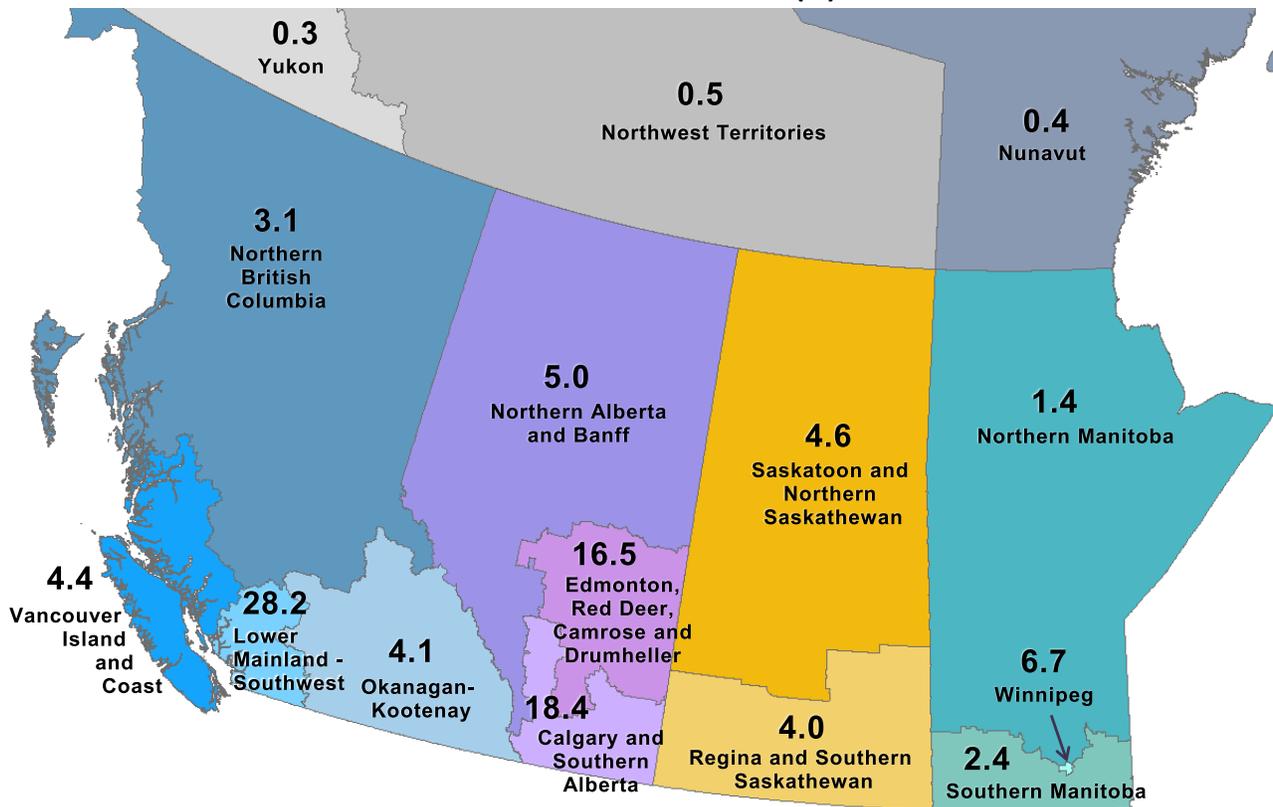
- Among the territories, Northwest Territories and Yukon should see employment grow between 2015 and 2017, while Nunavut anticipates a modest employment loss during that time.
- Regionally, Manitoba regions is expected to experience the strongest growth between 2015 and 2017 (+2.5), while Saskatoon & Northern Saskatchewan are expected to see a drop (-0.7 and -0.8% respectively).

## REGIONAL OVERVIEW

- **Manitoba:** Manitoba should see reliable employment growth (+2,700) in its transportation and warehousing sector.<sup>34</sup> The completion of CentrePort has further cemented Winnipeg as a prairie shipping hub, and a weaker Canadian dollar has helped to maintain the import/export shipping industry. Both of these factors should have a positive impact on the hiring ability of transportation firms to hire and retain employees. The closure of the Port of Churchill while having a negative impact in northern Manitoba will likely have a limited impact on the province in general.
- **Saskatchewan:** Employment in Saskatchewan is expected to decrease by 700 between 2015 and 2017, likely due to a lower resource sector demand in the transportation and warehousing.<sup>35</sup>
- **Alberta:** The province is expected to post the largest job gain (+6,500) across Western Canada between 2015 and 2017.<sup>36</sup> Calgary's airport new international terminal alone is expected to create 2,000 new jobs. YYC now competes with Montreal's Pierre Elliott Trudeau for the title of the third busiest airport in Canada.<sup>37</sup>
- **British Columbia:** The dynamics of Canada's economy played out in trade through Port Metro Vancouver in 2015 with the weakening of shipments in commodities such as coal and metal concentrates overshadowed by record exports of wheat and pulse crops, as well as record container traffic. Port Metro Vancouver handled 138 million tonnes of cargo in 2015 which was off 2014 results by just one per cent due to a big drop in shipments of mining commodities, particularly thermal coal from the U.S. to China.<sup>38</sup>
- **Nunavut:** The Government of Nunavut signed a memorandum of understanding with the Kitikmeot Inuit Association on a project proposal to build the longest road in Nunavut — a 227-kilometre all-season road from the shores of the Northwest Passage. The road would connect a proposed deep water port at Grays Bay — on the Northwest Passage between Bathurst Inlet and Kugluktuk — to the winter road that services the N.W.T.'s diamond mines.<sup>39</sup>
- **Northwest Territories:** The governments of Canada and Northwest Territories (NWT) announced \$80.9 million in joint funding to improve accessibility to and from remote communities in the North and to ensure the movement of goods across major trade routes.<sup>40</sup>
- **Yukon:** Yukon government has applied for a mining road, called the Yukon Resource Gateway Project that would see Yukon government pitch in \$112 million and industry contribute another \$109 million toward

roadwork in the Dawson and Nahanni ranges. Yukon government is anticipating Ottawa will contribute \$250 million toward road upgrades.<sup>41</sup>

**Distribution of employment in the transportation and warehousing sector across Western Canada (%)**



Source: Service Canada Regional Occupational Outlooks in Canada, 2015-2017

**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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<sup>1</sup> Source: Statistics Canada. Table 282-0008 - Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons unless otherwise noted), CANSIM (database). (accessed: 15/IX/16)

<sup>2</sup> Note that employment data related to transportation and warehousing is not available at the same level for the territories

<sup>3</sup> Source: Statistics Canada. Table 282-0008 - Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons unless otherwise noted), CANSIM (database). (accessed: 15/IX/16)

<sup>4</sup> Source: Statistics Canada. Table 304-0014 - Manufacturers' sales, inventories, orders and inventory to sales ratios, by North American Industry Classification System (NAICS), Canada, monthly (dollars unless otherwise noted), CANSIM (database). (accessed: 15/IX/16)

<sup>5</sup> Source: Statistics Canada. Table 282-0008 - Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons unless otherwise noted), CANSIM (database). (accessed: 15/IX/16)

<sup>6</sup> Source: Statistics Canada. Table 379-0028 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (percentage share), CANSIM (database). (accessed: 15/IX/16)

<sup>7</sup> Ibid

<sup>8</sup> Source: Statistics Canada. Table 281-0024 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS), annual (persons), CANSIM (database). (accessed: 15/IX/16)

<sup>9</sup> <http://www.hopper.com/articles/2269/the-10-busiest-airports-in-canada>

<sup>10</sup> Source: Statistics Canada. Table 401-0045 - Air cargo traffic and flights, annual (tonnes unless otherwise noted), CANSIM (database). (accessed: 14/X/16)

<sup>11</sup> Transport Canada. 2016. Transportation in Canada 2015 : Report Overview.  
[http://www.tc.gc.ca/media/documents/policy/2015\\_TC\\_Annual\\_Report\\_Overview-EN-Accessible.pdf](http://www.tc.gc.ca/media/documents/policy/2015_TC_Annual_Report_Overview-EN-Accessible.pdf)

<sup>12</sup> Source: Statistics Canada. Table 401-0044 - Air passenger traffic and flights, annual (number), CANSIM (database). (accessed: 14/X/16)

<sup>13</sup> Ibid

<sup>14</sup> <http://business.financialpost.com/news/transportation/air-canada-reports-101-million-profit-compared-with-a-loss-a-year-ago>

<sup>15</sup> <http://www.cbc.ca/news/business/westjet-profit-earnings-may-2016-1.3563841>

<sup>16</sup> <http://www.cbc.ca/news/business/air-canada-orders-61-boeing-737-max-jets-1.2460560>

<sup>17</sup> Source: Statistics Canada. Table 404-0002 - Railway carloadings statistics, by commodity, annual, CANSIM (database). (accessed: 14/X/16)

<sup>18</sup> Ibid

<sup>19</sup> Source: Statistics Canada. Table 281-0024 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS), annual (persons), CANSIM (database). (accessed: 15/IX/16)

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<sup>21</sup> Transport Canada. 2016. Transportation in Canada 2015 : Report Overview.  
[http://www.tc.gc.ca/media/documents/policy/2015\\_TC\\_Annual\\_Report\\_Overview-EN-Accessible.pdf](http://www.tc.gc.ca/media/documents/policy/2015_TC_Annual_Report_Overview-EN-Accessible.pdf)

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> Ibid

<sup>26</sup> Ibid

<sup>27</sup> Ibid

<sup>28</sup> Ibid

<sup>29</sup> Ibid

<sup>30</sup> <http://www.bnn.ca/port-of-churchill-s-closure-stirs-calls-for-government-intervention-1.538802>

<sup>31</sup> <http://news.nationalpost.com/features/port-in-a-storm-people-in-churchill-believed-only-weather-could-defeat-them-they-were-wrong>

<sup>32</sup> <http://www.cbc.ca/news/canada/thunder-bay/churchill-port-closure-thunder-bay-1.3697342>

<sup>33</sup> <https://www.thestar.com/business/2016/07/26/churchill-manitoba-shocked-over-surprise-port-closure.html>

<sup>34</sup> Employment and Skills Development Canada Projections

<sup>35</sup> Employment and Skills Development Canada Projections

<sup>36</sup> Employment and Skills Development Canada Projections

<sup>37</sup> <http://calgaryherald.com/business/local-business/new-2-billion-calgary-airport-terminal-ready-for-takeoff>

<sup>38</sup>

<http://www.vancouversun.com/Record+grain+potash+exports+cushion+commodity+crash+Port+Metro+Vancouver/11727850/story.html>

<sup>39</sup> <http://www.cbc.ca/news/canada/north/grays-bay-road-and-port-project-1.3676165>

<sup>40</sup> <http://news.gc.ca/web/article-en.do?nid=1095359>

<sup>41</sup> <http://yukon-news.com/news/yukon-hopes-federal-infrastructure-dollars-will-pay-for-mining-roads/>