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31 May 2024

The Honourable Seamus O'Regan Jr.  
Minister of Labour and Seniors  
Place du Portage, Phase 11  
165 de l'Hotel-de-Ville  
Gatineau, QC J8X 3X2

The Honourable Pablo Rodriguez  
Minister of Transport  
330 Sparks Street  
Place de Ville  
Ottawa, ON K1A 0N5

Potential Labour Disruption – Canada's Class 1 Railways

Dear Ministers,

The Shipping Federation of Canada, which was incorporated by an Act of Parliament in 1903, is the national association that represents the owners, operators and agents of ocean ships that carry Canada's international trade between Canadian ports and markets throughout the world. We are writing to express our serious concern over the possibility of a labour disruption affecting Canada's Class 1 railways (potentially at the same time), and to urge the government to use every tool at its disposal to ensure a successful bargaining process between the railways and the union.

From an ocean shipping perspective, we can unequivocally say that the impacts of a rail service disruption would be disastrous, far-reaching and potentially irreversible. Many of the ships that are owned and operated by our members carry major commodities and cargoes such as grain, coal, potash, iron ore, steel, oil and forest products between Canadian ports and ports overseas. As such, they are totally dependent on an efficiently functioning rail system for the delivery of these cargoes from the point of origin to the marine port of export, or from marine port of import to the customer.

Our membership also comprises the majority of container shipping lines that call Canadian ports in order to deliver containerized cargoes such as pharmaceuticals, manufacturing inputs, chemicals, perishable foods and consumer goods to markets in both Canada and throughout North America – and to deliver containerized bulk exports to markets overseas. Given that these international shipping lines contract with the railways for the door-to-door delivery of their cargoes, an efficiently functioning rail system is absolutely essential not only for the inland carriage of their cargoes, but also for the operation of their highly integrated intermodal networks both in Canada and on a global scale.

From an ocean shipping perspective, the financial, logistical and reputational impacts that would arise from a disruption of Class 1 railway service are such that some international marine carriers are considering the extent to which their upcoming Canadian port calls could be re-routed through the U.S. in

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**SHIPPING FEDERATION OF CANADA**

625 René-Lévesque, Suite 800, Montreal, QC, H3B 1R2 (514-849-2325)  
1055 West Hastings, Suite 300, Vancouver, BC, V6E 2E9 (778-373-1518)  
[www.shipfed.ca](http://www.shipfed.ca)

order to avoid the risks that Canadian routings currently pose. In the longer term, we also expect that some carriers may re-evaluate their commitment to calling Canadian ports altogether, given the efficiency and reliability challenges that have plagued Canada's transportation system in recent years, and the reputational damage that is being inflicted not only by the current impasse in rail negotiations, but also by the possibility of labour disruptions at the Port of Montreal and on the west coast of Canada. As a country which relies on international ships to carry the vast majority of its world trade, we would argue that Canada can ill afford to risk losing the confidence of the major carriers calling its ports, particularly in a context where previous experience has proven that cargo that is lost to a different routing is exceedingly difficult, if not altogether impossible, to regain.

We are aware of the Minister of Labour's referral to the Canada Industrial Relations Board (CIRB) on May 10<sup>th</sup> to determine whether certain types of rail activity must continue during a strike or lockout to prevent an immediate and serious danger to public health and safety. Although we appreciate the Minister's willingness to explore this issue by using the tools provided under the *Canada Labour Code*, we are concerned that the open-ended timeframe in which the CIRB must render a decision will ultimately serve to inject even more uncertainty into an already uncertain situation, and to disincentivize the parties from continuing to engage in negotiations while the Board's investigation is ongoing. We are also concerned that should the CIRB rule that a particular commodity (or commodities) is essential, the practical realities of isolating and moving that commodity over an already constrained network may either be unworkable, or result in unintended but nevertheless significant impacts (including additional delays and costs) for cargoes not deemed to be essential, such as intermodal containers.

As previously noted, we have already seen signs that goods destined to Canada are being rerouted to other ports and gateways to avoid the possibility of a rail labour disruption, adding costs and further eroding Canada's reputation as a reliable trade gateway. In the event that a rail strike does occur, Canada's ports will very quickly be unable to accept vessels due to a lack of cargo storage space, leaving Canada-bound ships with only a handful of options at their disposal, including drifting offshore, returning to the port of loading, or diverting to a U.S. port (provided that berthing space and labour are readily available). The seventy-two hour strike notice required under the *Canada Labour Code* would be of no use whatsoever in these scenarios, as the planning window for ocean shipping and the timeframes required for trans-oceanic voyages far exceed this very limited timeframe.

All of the above would serve as a major blow to Canada's transportation supply chain, at a time when the system is still recovering from last summer's west coast longshore strike, the recent St. Lawrence Seaway strike and other major shocks, and when the Canadian economy is already under significant inflationary pressure. Given the foregoing, we urge the government, in the strongest terms possible, to actively engage in ensuring a successful bargaining process, and in the event of failure, to be fully prepared to act to avoid another labour disruption.

Sincerely,



Chris Hall  
President and CEO  
SHIPPING FEDERATION OF CANADA

Cc: Canada Industrial Relations Board