

Enserva Member Brief

Rail Labour Dispute

August 22, 2024

Overview

As of 12:01 AM EST on Thursday, August 22nd, 2024, lock-out notices for more than 9000 workers at CN Rail and Canadian Pacific Kansas City took effect as negotiations with the Teamsters union failed to reach an agreement.

The ripple effects of this massive disruption in Canada's supply chain will be felt throughout the economy in both the short and long term, notably in energy, agriculture, construction, and manufacturing, which will, in turn, impact the cost of living and access to necessities for everyday Canadians.

Negotiation efforts between the three parties continue while the lockout takes effect.

What Does This Mean for Enserva Members

The energy services, supply, and manufacturing sectors will be among the first to feel the impact of the lockout.

Severe supply chain disruptions are expected, with each day of the work stoppage leading to approximately 10 days of arrears in product delivery. Companies have limited buffers for critical inputs, ranging from just 4-5 days for industrial-grade sand used in hydraulic fracturing, to 21-24 days for upstream chemicals and around 3 days capacity for manufactured product storage or transport via truck. This leaves the industry highly vulnerable to significant delays, which have already begun in anticipation of the planned lockout.

Alternative supply plans, such as relying on domestic materials or shifting from rail to truck, are either unsustainable or prohibitively expensive. These alternatives will sharply increase operational costs and exacerbate the financial strain on companies.

Labour and operational challenges are already becoming evident. While producers and clients are currently managing, the service sector will bear the brunt of the early impact as delays in critical inputs force work stoppages. This will inevitably lead to layoffs, sending workers home and further aggravating the already difficult task of recruiting and retaining talent—a challenge that has persisted since the pandemic.

We are hearing from members that many are being forced to switch to several layers of backup plans to simply maintain some degree of operational and staffing capacity. This will come with lasting effects on their companies and the entire energy supply chain.

The stoppage will also likely have long-term economic consequences, especially if U.S. ports become congested due to backlogs in Canada and international shippers start viewing Canada's freight network as unreliable. With agricultural products likely to take precedence in

recovery efforts, the return to normal operations for other sectors could be significantly delayed.

The federal government is displaying an aversion to involving themselves in the dispute. Our sources state that the government will most likely wait a week or two before involving themselves formally, potentially through binding arbitration or back-to-work legislation.

While the public may not fully grasp the technical details, the economic impact will be painfully clear, particularly through job losses. Even if a solution is reached in short order, the damage has already been done. It will take weeks to restore normal operations, as supply chain adjustments cannot happen overnight.

What Steps Is Enserva Taking

In response to the lockout and the severe disruptions it will have on the energy services, supply, and manufacturing sector, Enserva is actively advocating and lobbying for our members to ensure that our voice is heard at the highest levels and that all levels of government understand the urgency for the sector.

Our efforts include:

1. Engagement with Government Offices
 - [Letter to Federal Ministers](#) | [LinkedIn](#)
 - Frequent contact with senior federal officials in Transport Canada and provincial government officials in Alberta and Saskatchewan
2. Media Engagement
 - [Press release](#)
 - Social Media - [LinkedIn](#) | [Facebook](#) | [Instagram](#) | [X](#)
3. Collaboration with Other Industry Associations
 - [Canadian Chamber of Commerce joint member letter](#)
 - Coordination with Energy Workforce & Technology Council (EWTC) to ensure we are working on both sides of the border
 - Frequent contact with other national business and energy associations

Should your organization want further support in contacting the federal Ministers of Labour and Transportation, or contacting your local Member of Parliament, please contact:

- **Taylor Hides:** thides@enserva.ca

Key Facts

- Canada's railways [ships](#) about \$380 billion worth of goods a year, which is about 18% of the size of Canada's \$2.14 trillion economy.
- Affected rails [carry](#) more than \$1 billion worth of goods each day.



- Rail handles 50% of all Canadian exports across industries.
- Chlorine for 40% of western Canadian [drinking water](#) is shipped via rail and cannot be moved by truck or ship due to safety regulations.
- More than 2,500 railcars will be [prevented](#) from crossing the US-Canada border each day.
- An average of 94,400 barrels per day of crude oil has been [exported via rails](#) this year.