

## **COVID-19 Canadian Supply Chain Issues**

Last Update: March 30, 2020

Contact: Mark Agnew, Senior Director International Policy [magnew@chamber.ca](mailto:magnew@chamber.ca)

### **Key Messages**

- The rollout of “essential services” rules across the country has created a patchwork that prevent the continuation of the critical functions that service businesses and consumers. Examples include:
  - Blockages to cargo movement. Companies that are closed cannot receive imported cargo. This will create backlogs at ports, rail facilities and others that then blocks the movement of essential goods. As well, importer facilities that are closed prevent pick-ups, which leads to fees being charged by port facilities.
  - Importation documents. CBSA requires wet-ink documents at points of entry. However, the provision of these document is delayed if offices are closed due to being deemed non-essential. This causes delays for goods crossing the border.
  - E-commerce disconnect. Despite provincial essential business lists permitting e-commerce, there is ambiguity around the logistics aspects that get products to the buyer. This could lead to parts of the country not receiving goods given some companies’ centralization of warehouses.
  - Supporting cross-border truck shipping. Trucking companies can rely on third-parties to take care of administrative functions that enable vehicles to operate. When these third-parties are deemed non-essential, it has a cascading effect on the shipper being able to move goods.
  - Chilling effect. The uncertainty around essential goods moving domestically and across borders has led to companies freelancing their own documentation to justify their essential movements. Some logistic providers are also now requiring these attestations before they will carry cargo.
  
- Businesses urgently need greater federal-provincial coordination to deliver a coherent definition that provides certainty, and ultimately the necessary function of supply chains that enable Canada to plug into the global economy and meet our domestic needs. Companies are willing to enact safeguards to ensure they minimize risks to employees.
  
- The Canadian and US governments’ commitment to maintain cross-border commercial traffic, despite closing it to leisure travel, is critical to preserve public health and the functioning of our economies. While no major problems have been reported on business travellers or cargo moving across the border, we need to maintain an active dialogue between the government and industry about border operations.
  
- Given the all-consuming nature of COVID-19 for businesses, companies cannot afford to accommodate additional disruptions caused by regulatory changes.
  
- We need to work with international partners on issues that will not disrupt our domestic supply or the ability to access international markets.
  - Export controls enacted by countries on medical products risks preventing products going to where they are needed most. Measures in the EU on PPEs and India on active pharmaceutical ingredients are of particular concern.
  - Global standards are also required on cargo pilot standards to ensure the seamless movement of critical goods.

## **Background on Current Supply Chain Concerns**

### Agriculture and Agri-Food

- Government announced on March 20 that TFWs will be allowed entry into Canadian. Industry awaiting the self-isolation protocols that will need to be observed by TFWs upon arrival.
- US TFW-equivalent program still not functioning at full capacity. This risks the US running below full production for seasonal produce coming into Canada.
- Food supply chain has generally good coverage within provincial essential services lists released thus far.

### Aerospace Manufacturing and Aviation Operations/Services

- There is confusion currently between “essential business/trade” versus “essential to business/trade”. Both terminologies are being used, and they could be interpreted differently. For example, could trucks be treated differently if they are carrying food or medical supplies versus manufacturing parts?
- Concerns about business professionals being able to cross the border and whether they will be deemed essential. Examples include:
  - Technicians are vital for equipment maintenance
  - Pilot/crew re-positioning
- Will business aviation be considered an essential service, particularly as a means to support critical cargo and services. Will exemptions cover deliveries, manufacturing, maintenance?

### Air Cargo

- Passenger air traffic volumes have decreased because of COVID-19 hotspots, travel bans, and receding demand. This has reduced cargo capacity within passenger jets typically allocated for high-value cargo.
- Having essential service status is critical for air cargo companies to move goods across borders and support B2G, B2B, and B2C transactions.
- The dwindling supply of air cargo has driven up freight rates, which poses competitiveness challenges for SMEs. Some passenger airlines looking to use their jets for cargo purposes.
- Industry is concerned about potential government announcements in the future with respect to restricting domestic air travel.
- Having global standards agreed at the G7 and G20 level is critical to properly implement an exclusion for air cargo from COVID-19 related restrictions.
- The Canadian Chamber is working with international counterparts to advocate for these international standards.

### Consumer Products (incl appliances)

- Canadians rely on importation of home appliances given there is no domestic manufacturing in Canada. Functioning appliances provides access to sanitation and preservation of food products. Cross-border supply chains enable Canadians to have access to these products.
- Essential service definitions at the provincial level have created ambiguity for appliance manufacturers and their distribution operations. There is also a disconnect between rules not allowing e-commerce, but not the physical delivery of goods that enables e-commerce transactions to deliver goods to consumers.

### Customs Processes

- CBSA requirements for wet-ink documents creates an incongruence with provincial essential services requirements for offices to be closed.
- CBSA should look at a deferral of remittances of duties and taxes to ease cash flow issues for companies.

### Essential services

- Provincial essential service lists have been released for a number of provinces (incl ON, QC, PEI, NS). However, some of these lists have ambiguity or providing conflicting advice, such as permitting e-commerce but not the requisite transportation logistics.
- Public Safety Canada understood to be publishing a critical infrastructure document on March 27. It will potentially be a high-level document with general principles rather than providing specific guidance or directives. They will not be binding on provinces.
- Critical need for consistency in the guidance being provided by provinces and a strong desire from industry to play a greater leadership role in delivering that coherence.
- For transportation and logistics that facilitate supply chain movement, unclear about the circumstances if not 100% of their load is “essential.” There are also instances where administrative support functions for transportation companies have been deemed non-essential and this has cascading effects for essential businesses’ operations.
- Provincial guidance is also forcing cargo backlogs with goods that need to be imported or exported, and fees being charged by terminals.

### Guidance documents

- The volume and frequency of government announcements has been highly problematic for industry to keep on top of, including where to seek more detailed guidance for specific company questions. Companies wish to also have clear avenues to seek corrective action when there are unintended negative consequences for companies.
- Misalignment or conflicting advice within the Canadian government, or between Canadian and American authorities on POE practices, such as temperature checks or the requirement to produce passports needs to be corrected.
- Rules for employees/executives in strategic roles for businesses. For example, will executives/employees who are US citizens with Canadian work permits be allowed entry. Depending on how long the create situation lasts, they may have to travel to Canada to support operations, strict hygiene and social distancing measures are in place across many companies, but for some functions and at certain times, going to the workplace is necessary to keep the operations going.

### Marine

- Shore leave issues for shippers in the Great Lakes have been flagged as an area of concern. This has been complicated by the overlay of federal and provincial rules about self-isolation and essential service directives.

### Medical Products

- Export restrictions imposed by certain countries are disrupting the flow of life-saving medical technology where it is needed most. This includes the disruption to the trade of final equipment as well as intermediary inputs needed before devices can go to the end-user. These problems have been compounded by the impact of air cargo volumes dropping.
- Technicians that have expertise to service medical technologies are critical to be able to move across borders to provide after-sales servicing on devices.

- India's decision to ban the export of 26 active pharmaceutical ingredients will have supply chain issues since some inputs for Canadian drugs are sourced from the region.

#### Non-COVID-19 Activities

- COVID-19 has become an all-consuming priority for businesses. Industry strongly feels that the government needs to pause all non-critical government consultations and regulatory implementation plans, especially those that could lead to situations of regulatory mis-alignment.
- Once the COVID-19 crisis passes, businesses are concerned about an avalanche of pent-up government regulatory-making. Government needs a gradual approach once we return to business as usual.
- Canadian Chamber is rallying a coalition of associations to push this priority with the government.

#### Rail

- Border rules need to ensure that all railway personnel, including operating crews, can travel (eg re-positioning) to meet the needs of the business.

#### Trade finance

- Importers are being effected by fluctuations in the CAD/USD exchange rate.
- High demand for receivable insurance given current market conditions.

#### **Next Steps**

- Call to be convened on or about April 1 for next group update.
- Government of Canada has expressed a desire to offer technical briefings. This will be organized as separate from our group call of industry-only participants.
- Canadian Chamber to continue to share updates as they become available.
- Canadian Chamber staff to keep this document updated as issues progress.

#### **Resources**

March 25 – [Notice from Government of India on export bans for 26 active pharmaceutical ingredients \(APIs\) dated March 3 2020](#)

March 25 – [Statement of Government of Canada, New Zealand, Australia, Brunei, Singapore, and Chile on need for maintaining open supply chains](#)

March 23 – [Canadian Chamber Letter to the Prime Minister on Essential Services](#)

March 23 – [International Chamber of Commerce-B20-World Health Organization joint letter to G20 leaders on various issues, including flow of medical supplies](#)

March 20 – [US Customs and Border Protection notice on land ports of entry and ferry services between the US and Canada](#)

March 20 – [Government of Canada announcement on Temporary Foreign Workers in the agriculture sector.](#)

March 20 – [Canadian Chamber statement on Canada-US border measures](#)

March 20 – [Prime Minister's Office Statement on Canada-US border measures](#)

March 20 – [Government of Canada and United States Government joint announcement on Canada-US border measures](#)

March 20 – [Global Business Coalition letter on air cargo issues](#)

March 18 – [Transport Canada Interim Order on International Flights into Canada](#)

March 18 - [Canadian Chamber statement on Canada-US border issues](#)

March 12 – [International Chamber of Commerce Letter to the G20](#)