



# NEWS RELEASE

**For Immediate Release –**

## **A FREIGHT RATE INCREASE OF 4.7% IS RECOMMENDED**

Fort Erie, ON, February 2008 – The Tariff Advisory Committee (TAC) of the Freight Carriers Association (FCA) meets periodically to monitor economic conditions as well as the latest statistics on the profitability of general freight carriers. TAC reviews major issues affecting the industry's profitability and its ability to maintain and improve service. The Committee recently reviewed current market conditions and cost increases. After a thorough review of the information, the Committee recommends that carriers raise their freight rates 4.7% effective March 31, 2008.

The trucking industry continues to face a number of challenges in 2008. Economic downturns, especially in the manufacturing sector, have reduced freight volumes and profitability. Furthermore, the rise in the value of the Canadian dollar is also significantly reducing Canada's exports to the US. At the same time carriers continue to deal with rising costs for labour and other operating costs. The demographics of the driver workforce indicate that driver shortages will continue to be an issue, raising costs and reducing capacity. These challenges make it imperative for the industry to improve profitability in order to attract the capital required to operate safely and efficiently.

Cost increases facing the industry include:

**Labour** – Trucking is a labour intensive industry that must continually increase wages in order to retain and attract dedicated, professional employees. Using information developed by Statistics Canada, FCA estimates that labour costs for trucking companies have increased by 4.7% on an annual basis.

**Non-labour** (excluding fuel cost changes) – the FCA motor carrier non-labour index, which reflect the price movement of goods and services motor carriers purchase as indicated by using Statistic Canada indices, shows an annual increase of 1.6%.

**Revenue Improvement** – Even with a pass-through of increased costs, the Canadian trucking industry's financial position does not meet the industry standard for operating margins. Based on Statistics Canada's results for Top General Freight carriers, the industry requires a revenue improvement of almost two percent.

**Accessorial Services** – The costs associated with providing services such as appointment deliveries, waiting time, protective service, border crossing, return of pallets and handling of dangerous goods cannot be absorbed by the trucking industry. The trucking industry must charge for these and all the extra services it provides in order to make a reasonable profit that will attract investors and help assure adequate capacity to the shipping public. The costs of these services are not included in the rates and must be assessed separately.

**Cost Increases Excluded** – Cost increases amounts noted herein exclude the impact of the fuel price changes. Experience has shown that the most efficient method of handling fuel price changes is through the use of a fuel surcharge program. The shipping public has recognized the need for carriers' fuel surcharges. For this reason the impact of changes in the cost of fuel has been excluded from this rate increase recommendation.

The FCA represents freight carriers operating throughout Canada in matters related to economics, pricing, finances, costing, as well as motor carrier statistics. FCA, and its predecessor have served the trucking industry for over 75 years. The TAC is composed of executives elected by membership to monitor the industry's financial condition and performance and to make recommendations to the industry.

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