



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

AGRICULTURE

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
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DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
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MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
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STEEN, Warren	River Heights	PC
STORIE, Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Monday, 25 April, 1983

TIME — 1:00 p.m.

LOCATION — Morden, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Adam, Bucklaschuk, Plohman,
Uruski and Uskiw.

Messrs. Anstett, Carroll, Downey, Gourlay,
Manness, Orchard.

WITNESSES: Mr. Don McEwan, Private Citizen;
Messrs. Spencer and Zettler, Concerned
Farmers from the Portage area;

Mr. Don Alexander, Private Citizen;

Messrs. Bill Strath and Ray Siemans,
Manitoba Pool Elevators;

Mr. Paul Klassen, Pembina NDP Association;

Mr. Tom Jensen, Manitoba Trucking
Association.

MATTERS UNDER DISCUSSION:

Western Transportation Initiative proposed by
the Government of Canada.

* * * *

MR. CHAIRMAN: We're awaiting a couple of members, but I don't think we should wait any longer, so we'll begin our proceedings.

Before we begin, I would like to introduce those members who are here. Starting on my far left: Mr. Doug Gourlay, the Member for Swan River; beside Doug, Mr. Jim Downey, the Member for Arthur; beside Jim, Clayton Manness, the Member for Morris; your local MLA for the Town of Morden and the constituency of Pembina, Don Orchard; immediately beside me, the Honourable Sam Uskiw, Minister of Highways and Transportation; and on my far right, Mr. Henry Carroll, the Member for Brandon West; beside Henry, the Honourable Pete Adam, Minister of Municipal Affairs.

We are awaiting two gentlemen who stopped to grab a bite to eat after arriving here about quarter to one, the Honourable John Bucklaschuk, Minister of Consumer and Corporate Affairs and the Honourable Billy Uruski, Minister of Agriculture. We'll consider them introduced when they come in with their tail between their legs for being late.

The purpose of these meetings - another member of the committee is the Honourable John Plohman, Minister of Government Services - but we did expect him to be somewhat late. Hopefully, the other two will be here before he arrives.

The purpose of this meeting is to hear representations on the Western Transportation Initiative proposed by the Government of Canada. You will all have in front of you copies of a resolution passed unanimously by the Manitoba Legislature on March 15th which reads as follows:

WHEREAS, on February 22, 1983, the Saskatchewan Legislature unanimously passed the following resolution: Because the proposals advanced by the Minister of Transport for Canada to replace the statutory Crow rate:

1. Do not recognize the principles of a statutory rate for grain;
2. Do not provide cost protection for farmers;
3. Do not recognize that grain must be sold in a competitive international environment;
4. Do not remove the distortion in rates by including all prairie crops and their products under the new structure;
5. Do not deal with unacceptable high taxation levels on farm input such as fuel;
6. Do not provide sufficient performance guarantees for the future growth and development of all facets of prairie agriculture;
7. Prescribe an unacceptable limit of 31.1 million tonnes for subsidized shipments;
8. Provide central Canada with further artificial processing and livestock incentives; and
9. Are not supported by a consensus of Western Canadians.

And because these are fundamental concerns and must be dealt with in any plan for the western rail transportation system, this Assembly therefore rejects the Pepin plan.

THEREFORE LET IT BE RESOLVED that the Legislative Assembly of the Province of Manitoba concur in the above resolution passed by the Saskatchewan Legislature; and

BE IT FURTHER RESOLVED that the Standing Committee on Agriculture of the Legislature be authorized:

- (a) To inquire into matters relating to the Western Transportation Initiative proposed by the Government of Canada;
- (b) To hold such public meetings as the committee may deem advisable;
- (c) To report at this Session of the Legislature.

That is the mandate of the committee. In addition, staff have prepared a summary of the federal Western Transportation Initiative which is appended to the committee resolution. If you didn't get one, there are sufficient copies at the door. The Western Transportation Initiative is outlined on this six-page fact sheet. Rather than read it to you, you're certainly welcome to peruse it at your leisure to get an understanding of any of those issues which may have been unclear in terms of the basic facts of the proposal.

Western Transportation Initiative:

1. The Federal Government will implement the principle recommendations of the Gilson Report for the four-year period, 1982-83 through 1985-86.
2. The Federal Government has defined the Crow Benefit Payment as representing the difference between the amount paid by producers, under the Crows Nest Pass Rate, and the actual cost of moving grain during the crop year 1981-82 and has calculated it to be \$651.6 million. The average Crow rate was \$4.89 per metric tonne for the Prairie region and \$3.65 per metric tonne for Manitoba.
3. Starting in the 1983-84 crop year, producers will pay
 - (a) The total cost of any future volumes of grain and grain products exceeding 31.1 million tonnes;
 - (b) The first three percentage points of railway cost increases due to inflation in the crop years 1983-84, 1984-85 and 1985-86;
 - (c) The first 6 percentage points of railway cost increases due to inflation for the crop year 1986-87 and beyond.
4. Blended freight rates set by April 30th of each year for the following crop year by the Canadian Transport Commission, after consultation with grain shippers and railways.
5. Freight rates will remain generally distance related.
6. (a) Under the Gilson recommendation, the federal contribution will be divided between the railways and the producers. In 1982-83, 100 percent of the federal contribution will go to the railways. After that the proportion paid to the railways will decrease over time to a minimum of 19 percent by 1989-90. In 1989-90, 81 percent will be paid to producers.
 - (b) The method of paying the government contribution will be that recommended by Dr. Gilson, but the method will be reviewed in 1985-86, when the split is approximately 50 percent to each party. Parliamentary approval will be required to continue any further progression of payments to the producers.
7. Payments to producers will be on a acreage basis, including cultivated acreage devoted to non-Crow crops and to Crow grain used on the Prairies, not on the basis of tonnes of Crow grain shipped by rail. Since this would mean less money per tonne of grain shipped, the Federal Government will pay the producers an additional \$204 million for the crop years 1983-84 to 1985-86, as an agricultural adjustment payment. The Federal Government will commit an additional \$56 million after 1985-86, if the phased payments continue to 1988-89.
8. Canola oil and meal and linseed oil and meal will be included under the new statutory rate regime in 1983-84. For the crop year 1982-83, these products will be assisted through an existing program in the absence of legislation that will pay the difference between the statutory rate and the current minimum compensatory rate west of Thunder Bay. However, the Federal Government believes the commercial rates for these products beyond Thunder Bay to eastern markets should be established. Currently the railways charge a lower minimum compensatory rate on these products.
9. A new grain transportation agency will be established to perform the current duties of the office of the grain transportation coordinator and will have an enlarged mandate, including car allocations, performance and service guarantees, and improved efficiency and capacity in the transportation system.
10. The Canadian Transport Commission will undertake the necessary major costing reviews every four years in consultation with grain shippers and railways.
11. The Federal Government will purchase up to 3,840 more hopper cars over the next three fiscal years. Timing of the purchases will be made with the advice of the new grain transportation agency.
12. The Federal Government will commit an additional 670 million to branch line rehabilitation this decade. The future of the Branch Line Rehabilitation Program will be reviewed in 1985-86.
13. In accordance with the Gilson Report, the railway compensation of 100 percent of the long-run variable costs with a 20 percent contribution to overhead costs will be phased in.
14. The railways will receive 313 million for the crop year 1982-83 as a payment towards their shortfall in revenues in that year.
15. Cost savings due to branch line abandonment or acquisition of government hopper cars will accrue to the Federal Government and shippers.
16. The Federal Government has agreed to extend special additional capital cost allowances to the railroads for investment in railway assets during the period January 1, 1983, to December 31, 1987.
17. In return for the implementation of the new rate regime on grain and the extended capital cost allowance, the two railroads have indicated they will:
 - (a) Increase investment in 1983 in Western Canada by 242 million and investment in Eastern Canada by 33 million;
 - (b) Increase investment in the period 1984-87 in Western Canada by \$2.592 billion and investment in Eastern Canada by \$395 million;
 - (c) Meet specific grain transportation performance and branch line maintenance obligations.
18. Under Industrial and Economic Development Initiatives, the Federal Government will

- commit \$75 million over the next five years to:
- (a) Develop railway equipment manufacturing industry;
 - (b) Develop processing of agricultural products in Western Canada;
 - (c) Assist suppliers of equipment and material for future resource development projects in Western Canada;
 - (d) Assist western firms to develop new products and improved productivity and competitiveness.
19. Under Agricultural Development Initiatives, the Federal Government will undertake a five-year \$175 million package of agricultural development initiatives, including:
- (a) Improving local feed grain self-sufficiency in non-Canadian Wheat Board designated areas of Canada;
 - (b) Assistance to farms and farm organizations for activities leading to improved sustainable increases in production of grains, livestock and special crops in the designated area of the Canadian Wheat Board;
 - (c) Assistance to the food processing industry in Quebec;
 - (d) Soil and water conservation research in the Prairie provinces;
 - (e) Development of a crop information system by Agriculture Canada;
 - (f) Development of an electronic marketing system by Agriculture Canada.
20. In 1985-86, the Federal Government will review the following:
- (1) The sharing of grain transportation costs between producers and the Federal Government.
 - (2) The system of payments to producers and progressing reducing distortions in the western agricultural economy.
 - (3) The possible impact on eastern agriculture.
 - (4) The system of railway performance guarantees.
 - (5) The freight rates required to provide appropriate compensation to the railways.
 - (6) The future of the Branch Line Rehabilitation Program.

At the conclusion of the hearings, you are also welcome to sign a list which the Clerk has to receive copies of the transcript of all seven meetings held by the committee. Transcripts will be available shortly after the conclusion of the hearings and copies will be mailed to anyone who registers with the Clerk to receive those copies.

I have before me a list of 11 individuals who wish to make representations to the committee today. I'll read that list and then, if there is anyone else, we'll ask you to come forward to register: Mr. Don McEwan, Mr. Bill Spencer, Mr. Don Alexander, Mr. Bill Strath, Mr. Herman Rempel, William D. Sloane, Jack Penner, Paul Klassen, Mr. E. H. Evenson, Tom Jensen, and Ken Rutter.

Is there anyone else who wishes to make a presentation today whose name has not been called out?

Hearing none, I would like to call on Mr. Don McEwan. Mr. McEwan, if you could wait one moment please, Mr. McEwan, until the Clerk has distributed copies. Please proceed.

MR. D. McEWAN: Thank you, Mr. Chairman.

Mr. Chairman, members of the Manitoba Legislative Standing Committee, ladies and gentlemen, my name is Donald McEwan. I am from Altamont and I have farmed there since 1953. My son and I now farm three-quarters of a section and rent 120 acres for a net total of 500 acres in continuous crop. We have a farrow to finish operation on the home farm and ship from 330 to 480 market pigs a year.

I moved onto the home farm when I was nine months old. My father rented the farm at that time. I worked with him and my brothers until 1953 when I rented another quarter. In 1955 I rented the home farm, which I bought in 1961. I consider it to be a commercial family farm. I say this because we are efficient and productive enough to fit into the 35 percent of the farms in Canada that produce 70 percent of the farm produce.

I have belonged to the Manitoba Farmers' Union and the National Farmers' Union until 1973. I still belong to the Manitoba Farm Bureau because of affiliation with some commodity groups that I deal with: United Grain Growers, Manitoba Pool Elevators, and the Manitoba Hog Marketing Board. I am a director on the local U.G.G. board and a voting delegate from District 1 on the Manitoba Hog Marketing Board.

I belong to no political party but I was a poll clerk at Altamont on two occasions, one in which the Federal Liberals were returned to power. When I wrote to the Liberal Minister of Agriculture in Ottawa objecting to Marketing Bill C-176, I got two replies, one from the Minister of Transport and one from the Deputy Minister of Agriculture, telling me I was a dirty Conservative brainwashed by the NDP. I hope I haven't prejudiced my case already. I am a Western Canadian with a decidedly more pro-Western view than anti-Canadian.

I believe in change, not for change sake but to make things better, particularly in Western Canada and the Province of Manitoba. Because of this I cannot deal with the changes in the Crow rate on specific terms, but more in philosophical terms. I have an economic reference from the past because this is what I have observed.

When my father farmed in the 30s and 40s, he paid Crow rate on grain. Sometimes it was 20 percent more than the railways were charging to move regular freight at the time. Sometimes the Crow rate was as much as 25 percent of the total price of the grain.

Since I started to farm, there has been a continuous trucking program on the farm to move surplus grain. We raised cattle and hogs in the 50s and 60s because there was that wonderful unit of 300 bushels of grain that went on in August and sometimes you didn't get a delivery until January because of plugged elevators. We sold registered grain into the American seed market, cleaned, bagged, and treated for a net return of \$1.25 to \$1.30 a bushel. Thirty bushels per acre net was a good yield after 10 percent to 15 percent was cleaned out and 1962 marked the first time in my farming career that I was able to sell wheat to the elevator direct from the combine.

During these years the feed grain was mostly consumed by the livestock on the farms. Hog prices varied from 18 cents to 35 cents dressed, and delivered in Winnipeg. Beef ranged from 18 cents to 35 cents live. We farmed for a subsistence living while grain sat in country elevators and on the farms. The Federal Government had a cheap food policy to keep the cost of living down. Surplus grain meant inexpensive meat and happy consumers. Our farmer owned elevators kept on the storage program that was started in World War II. They filled the permanent, temporary annex and their profit sheets looked acceptable.

The railways took out sections of their trunk lines, turning them into branch lines to qualify them for grain transportation subsidies. Tracks, road beds deteriorated, and all levels of government turned a blind eye on the situation. They, in turn, spent millions of tax dollars to build highways and airports to move people in a faster way. The Crow rate didn't generate enough revenue, grain didn't move and farmers who wouldn't or couldn't work for a bare subsistence sold out to neighbors, and the family farm as I knew it went out of existence. In 1967 we built the first part of our now confined hog barn. This was to be the trend of the future.

In the same period of time, the mainlines of the railways flourished because of bulk commodities. Coal, lumber, potash, and cement all paid full rates, and the grain trickled through at periods of low density.

Governments at all levels sat back and said they were well rid of these inefficient farmers. The cities swelled with people. Jobs were plentiful while lumber, cement, iron and other commodities for urban growth kept the railways, airports and highways busy. The world was very bright, though it was hard to see the sky through that new form of matter; pollution, rural, industrial and urban.

In 1973 I cleaned out an annex for U.G.G. elevators and inquired where the good looking wheat came from. "Put her there in '62, filled the annex. Been there ever since," came the reply. In the boredom of shovelling grain, my brain began to calculate. Two cents a bushel for every month, 12 months a year is 24 cents. From 1962 to 1973 is 11 years. Storage cost to the taxpayers, \$2.64 a bushel. The price at Thunder Bay was \$2.40 less 9 cents. Elevator price at Altamont was \$2.31. The cost of the wheat in Altamont in 1962 was \$1.40. Adding the storage to the 1962 price yields \$4.04. Selling price at the Lakehead was \$2.40. Loss on 11 year old grain is \$1.68 a bushel. There has to be a better way. We would have been further ahead to have burnt the 1962 crop.

I stopped in the hotel for a beer and I said, "I think we should pay more freight to move our grain." Amidst shocked faces came the reply, "Don't rock the boat, boy, if you get rid of the Crow look what it is going to cost the farmers. You must be a damn socialist or something." The same argument is being used today.

In 1979 I was involved with a group of people trying to save the Morris-Hartney CNR rail line. It was up for abandonment. It was a period of growth in Western Canada and the main railway lines were running at peak capacity. I was in the CNR Station at Somerset collecting data and the stationmaster had his radio phone on. There were three different sidings with three different unit trains stacked up between Portage and

Winnipeg waiting for a priority west bound train. The stationmaster assured me that this was quite common. I then talked to a railroad official from CNR. He stated that double tracking would help, but by 1985 projections showed the same line would only take 90 percent of the traffic even with double tracking. It was apparent to me that more money had to be injected into our railway system.

In 1979 Seedex Elevators at Deerwood, 2.5 miles east of our farm, was shipping peas without Crow benefits at 83 cents a cwt.- that is \$18.27 a tonne or 49.8 cents for a 60 lb. bushel - approximately 5 times the Crow. To me the answer was simple. Leave the Crow rate as a basic unit and work on multiples of this unit. As an example the producer would pay three and the government would pay the remaining five. The railways would receive full compensation to Thunder Bay. The grain would then be sold in stores at Thunder Bay. The same unit multiples could be used for the eastern users to move the grain east of Thunder Bay. Too simplistic, I suppose.

In this freight rate controversy, there is another aspect that is all too often forgotten. If I may dwell on the past for a minute, I would like to take you back to the late 60s. Western barley sold from farm to farm and feed mill for as low as 50 cents a bushel.

The eastern feed mills and feeders decided that they should get barley at the same price or they were at a disadvantage to the western feeders. The eastern feed grain subsidy was born. Around 1976 it was replaced by the domestic market or the competitive price. It took away the West's competitive edge. With it and farm building subsidies in the eastern provinces, the hog producers and feedlot operators increased production dramatically. Beef producers in Western Canada are in the same position but allow me to quote a few figures from the hog industry. This is hog production province by province 1971 and 1981:

Quebec	1971, 1,928,000; 1981, 4,773,000
Ontario	1971, 3,141,000; 1981, 4,049,000
Manitoba	1971, 1,331,000; 1981, 1,169,000
Sask.	1971, 1,250,000; 1981, 657,000
Alberta	1971, 2,015,000; 1981, 1,577,000
Total East	1971, 5,069,000; 1981, 8,822,000 + 3,753,000
Total West	1971, 4,596,000; 1981, 3,403,000 - 1,193,000

The eastern provinces have taken over the production of 1,193,000 hogs and have added an additional 2,560,000 hogs to the market. At an average of \$90 a hog the lost revenue to Western Canada is at least \$107,370,000.00. Couldn't the economy of Western Canada use that kind of money now? We are losing over \$100 million every year.

The eastern feed grain subsidy and the corn competitive price for domestic grain were supported by Sask Pool and the Union of Quebec farmers - the same two groups who are opposing the Crow changes. Mr. Chairman, when Sask. Pool and the eastern interests get together on a farm policy, the farmers of Western Canada are left not unlike the proverbial Madam working in a brothel. The harder we work, the more often we get screwed.

I can never get a definite cost of these programs to the western producer but a guesstimate for the crop year 1981-82 was \$10.2 million with \$8 million being

paid by the Federal Treasury, and that was one of the better years. I'm sure this kind of money could pay a lot of freight. Another insidious side of this program is that railroads must haul this grain at Seaway competitive prices 12 months of the year.

I believe that all western freight rates should be reviewed and upgraded. I talked to one man in the food industry about a freight policy I've only heard of once; The Panama Canal Competitive Rate. Goods shipped west by rail have to compete with this, even though no one has shipped via the Panama Canal since the early 1900s.

The trucking of grain is going on right now in some areas of Southern Manitoba and is growing, in spite of the fuel costs and the existence of the Crow rates. The cost of our shipping hogs to Winnipeg has increased from 73 cents cwt to \$2.40. If it takes 14 bushels of barley to market one hog that comes to 29 cents a bushel for 90 miles.

When I started farming I believed that by the time I retired bulk wheat shipments would be a thing of the past. Even in the '60s I listened to experts that predicted by now we would be extracting and refining 14 to 20 percent of the wheat. This would be exported in a concentrated form to be blended in overseas mills. Instead, we have subsidized bulk exports of wheat and the experimentation that I talked about in the past has sunk into oblivion. As a result, the flour industry has all but disappeared in the west. Recent figures show Canada as being second from the bottom on a list of world flour producers at 1,771,000 tonnes of flour. The Soviet Union was at the top with 41,579,000 tonnes. Western Canada has remained a source of raw resources to be pilfered, not only by the east, but the rest of the world as well.

As I stated, I believe there is great need for change in the freight rates in Western Canada, but I challenge all levels of government - municipal, provincial, and federal, to overhaul their present tax structure. I believe the No. 1 problem for farmers today is not inflation, the economy, or the weather, but overtaxation. I read of government aid to the tune of \$1.5 billion a year being spent on foreign aid without proper allotment or even a director. I am reminded every time I fill the tractor up of our country's debts and the National Energy Policy, and the burden it has placed on the producers requiring fossil fuels to operate. I am concerned, not only for farmers, but also for transportation, fertilizer, and all forms of primary and secondary industry that require fuel to function.

The table you have been supplied with will help to show the dramatic increase in fuel prices we have experienced. I believe that 20 percent of this is tax related. When our production costs for fertilizer and spray range from \$50 to \$55 an acre and fuel costs are \$11.86 an acre, it is a tremendous tax burden on the primary producer. If we fail to put together the right combination in a renewable resource, such as, farming, there is no income. With no income the tax fails to be paid because it cannot be passed on in the marketplace. Every time an individual or an industry seeks a subsidy we encourage inefficiency; we increase the price of goods or the tax burden on the rest of the country. Perhaps the farmers could pay the full rate if some of the tax burden was relieved.

I do not understand the Pepin proposal because ever since the Gilson report every paper I read is either

advising changes or demanding proposal be stopped. Perhaps this reflects on the amount of unbiased information available to farmers. Only when it is documented and presented as a bill to Parliament we'll be able to study the content and then it will be all but too late to comment.

I submit to you, Members of the Committee, that every successful businessman or company uses the same principles as the CPR. It is a company that is entirely Canadian and perhaps without it there would be no Canada as we know it. As Canadians we seem to hate and distrust a successful company. Would it be better if the railroads were American-owned and operated? I don't like the thought of the CPR being government-owned because it is apparent to me that lately the government tends only to run good deficits.

We must remain high on the list of freight priorities, even after this recession; freight traffic will increase. We now enjoy a 1 - 5 rating, which could slip to 25 - 30, if other traffic picks up.

MR. CHAIRMAN: I believe you missed a page, unless I have an extra one.

MR. D. McEWAN: I could have done. No, you're right, sorry about that.

As a hog producer, I am deeply concerned about the packing industry in Manitoba. With or without changes in the Crow this industry must be upgraded to make it more efficient. The plants tell us there is no problem, but when the Hog Board has to export live hogs up to 20 percent during the Schneider's strike it indicates that something is wrong. If two plants close in Winnipeg, 40 percent of the live hogs will have to be exported out of the province. This means one more raw product being exported without the jobs and revenue that processing brings. Can we not negotiate with management, labour, city councils and different levels of government, and the producers to find an acceptable method of keeping Manitoba produce competitive? This is going to be a difficult task because we should have started 10 years ago, not some time in the future.

I have mixed emotions about variable freight rates for the grain industry. The Pools are against them, but my figures show that they, themselves, practice variable elevation charges for different grains in the same elevator. It will not be the Crow that preserves the family farm, but the world economic conditions that will determine what happens to us. Will we be forced to expand into bigger and bigger units, or can we operate as moderately-sized but efficient farms; ones that could support a population relevant to the land base, thereby distributing jobs and people more evenly between rural and urban areas?

The Crow rate will not save the family farm hog producers in Quebec either; they only raise 20 percent of the hogs in that province. The totally integrated units supply the other 80 percent on small land bases. We must pay higher freight rates to keep our products competitive.

We must remain high on the list of freight priorities even after this recession. Freight traffic will increase. We now enjoy a 1 - 5 rating which could slip to 25 - 30 if other traffic picks up. In other words, the farmers who threaten to stop the grain shipments, unless the

Crow is retained, may be run over by 27 units loaded with other commodities before a train even stops for grain, unless we remain a priority.

In conclusion, Mr. Chairman, freight rate changes will not be the only determining factor in the economy of Western Canada, but they will play an important part. The success or failure of the grain producers will be determined outside of Canada. It will be programs like the American PIK Program, billion dollar subsidies to the common market, crop failures in India, the ability of China and Russia to come to self-sufficiency that will affect Canadian farmers. It will be the stability of foreign governments like Africa, the Middle East, the Eastern Block, Central and South America that will effect us.

We will also be affected by the stability and the reliability of our own politics. If supply-management programs such as CANAGREX are allowed to stifle agriculture the way the National Energy Policy has affected the oil industry, there will be no place for the farming community in Canada. We are only 4 to 6 percent of the voting public, we lack political clout. But if political policies have helped to create problems associated with rural depopulation, then it is the politician's duty to help supply a cure. We are totally dependent on politicians to create an atmosphere where we can produce and prosper. Take good care of us, for without our prosperous and efficient farming community, your cities will die.

Mr. Chairman, Page 12 is, I had to base Deerwood as the only place - it's five miles from Altamont. It used to be on the same freight rate when that elevator hauled grain and that's why I used them to show what the increase has been in the rate; it's what I have for comparison.

Anyway, April 15th, 1983: full rate, peas Deerwood to Thunder Bay \$1.54 cwt or \$33.91 T.

In 1979, the same rate was 83 cents cwt or \$18.27 T.

In 1983, for sunflowers the full rate now is \$1.75 cwt or \$38.53 T.

Do you want me to explain the rest of it?

MR. CHAIRMAN: I don't think that's necessary, Mr. McEwan, since all members have a copy of the table in front of them.

MR. D. McEWAN: Fine. That just goes to show, in my opinion, what the National Energy Policy has done to our transportation costs.

MR. CHAIRMAN: Mr. McEwan, thank you very much for your presentation to the committee. There may be some questions from members of the committee.

Gentlemen, any questions for Mr. McEwan about his brief?

Mr. Manness.

MR. C. MANNES: Thank you, Mr. Chairman. Mr. McEwan, by your brief it's obvious that you also are in the hog production business. How do you feel as a hog producer as one who produces grain and livestock, that you will share in the Crow benefit on all your acreage? What are your feelings on that type of system?

MR. D. McEWAN: I have mixed emotions about that too. When I sat down in 1979, I expected to pay full

rate on the grain that I put over the railroad. I still can't come to grips that they should pay me for what grain goes into my hogs. I think that, as a producer, I have an obligation to try to produce that product as cheap as I can and I can't see why I should have a subsidy for something that I don't ship. It's as simple as that.

MR. C. MANNES: What you're saying then, Mr. McEwan, if all livestock producers thought like you did, that indeed, there would be one less hurdle to this whole issue?

MR. D. McEWAN: I suppose. I would like to say something more.

People tell me that Crow was legislated at one time and it was never changed. That's not right. It has been changed over the years, and I have a list here, if you'll bear with me. It was signed in 1877 and to get the Crow rate, and I think I might be a little fuzzy on this one, but CNR had to take over a bankrupt mine and a bankrupt railroad somewhere around Nelson. In 1902, it was made lower. In 1918, the Crow rate was raised a little higher. In 1922, the Crow was rated on lines accepted at 1897. In 1925, The Railway Act agreed on rates on grain from Western Canada to Thunder Bay and east. In 1927, Vancouver was added to the grain rate. In 1931, Churchill was added. In 1961, rapeseed was added.

I believe that if it had been updated every decade we've since then, in the 1950s, in the 1960s, we wouldn't be in the mess we are in this controversy today.

MR. CHAIRMAN: Further questions? Mr. Uskiw.

HON. S. USKIW: Mr. McEwan, you presented a most interesting brief. It almost comes through on both sides of the question and I appreciate why. You're essentially making the argument, I gather, that you believe there has to be an upgrading of freight rates; you don't believe that acreage payments should be paid to farmers in the region as a means of achieving that?

MR. D. McEWAN: I can't get this part through my head, that I should be subsidized for something that I'm not using. I'm maybe too much of an individual, I don't know.

HON. S. USKIW: What is your position with respect to by-products, oil and so on, meal? Do you think they should be under Crow or under the same rates as other grains?

MR. D. McEWAN: I still think that if the right structure had been and we had been paying, and rapeseed - are you talking about rapeseed?

HON. S. USKIW: Yes.

MR. D. McEWAN: If it had been left and we had been paying the right freight rate all the way through and this is why I talk about freight rates coming back west again, that we wouldn't have to subsidize anything. We would be moving, not bulk commodities all across Canada, but just the produce and therefore we would have more people working in Western Canada.

HON. S. USKIW: So, your argument then is that the historic Crow rate was actually counter-productive to Western Canada for the 86 years, that we would have had a more diversified economy had we had compensatory or commercial freight rates in all commodities?

MR. D. McEWAN: No, I said since 1950. It should have been started to upgrade it in 1950, because to me we have disregarded a lot of research that could have saved us a lot of money.

HON. S. USKIW: Why do you pick the year 1950, Mr. McEwan, as opposed to the historic rate all the way back?

MR. D. McEWAN: Because this is what I can gather was the year that the railway started to go in a large deficit and they started to neglect the grain, and, sir, I lived through a period in the 1950s where southern Manitoba grain was neglected, I still live in it. Between the freight and the quota acres we have, we cannot sell our produce to the maximum that we can produce on our farms. We have to go to different - and I'll tell you why, because I believe right now that a lot of our surplus product is being trucked to Minneapolis, it's rye, it's flax, it's corn. I know that one year there was 100,000 bushels of flax went out in a four-mile area around my place, went out by truck. I had to haul mine to another elevator to get it on a car, to take it to United Grain Growers terminal in Thunder Bay.

I know of a man that piggy-backed flax at \$1.00 a bushel in February of this year and it went to Thunder Bay and because of a premium at the Lakehead that they couldn't get the grain in position, he got 5 cents a bushel less than what he would have, and mine is still in the granary?

HON. S. USKIW: I take it then that what you're really suggesting that would be the best solution, and should have been many years ago, is an open market system for transportation so that the level of compensation for transportation would find itself without regulation.

MR. D. McEWAN: Are you saying that I am condemning the Wheat Board?

HON. S. USKIW: No, let me rephrase that.

MR. CHAIRMAN: Do you want to rephrase your question, Mr. Uskiw?

HON. S. USKIW: Are you suggesting that we would have been better off to stay with a free competitive railway freight system as opposed to a regulated system by statute?

MR. D. McEWAN: I have come to that conclusion, yes.

MR. CHAIRMAN: Further questions for Mr. McEwan? Mr. Orchard.

MR. D. ORCHARD: Mr. McEwan, you mentioned off-board movement of flax and rye to Minneapolis, etc. What's ballpark truck freight on that per bushel?

MR. D. McEWAN: I don't know to Minneapolis. I would think it would run in the neighbourhood of 35 cents to 40 cents. I never trucked any that way, Donald, but I know that from our place to Stowe's which is 14 miles, it cost me 10 cents a bushel for 1,000 bushel load. I know that. To bring barley from our place to Winnipeg, I priced it last fall. It's 18 cents a bushel per loaded mile.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: . . . one of the points that I think Mr. McEwan has made, I think, that is probably more revealing than anything, that's in the last part of his brief where he has indicated that purple diesel fuel which he uses on the farm has increased in 1973 from 29 cents a gallon to \$1.60 in 1983. Mr. McEwan, you would, by these figures, be indicating that is, by far, more of a concern of you than it is, of course, of the transportation costs.

You indicated as well the percentage of tax that was on that fuel. Did you give us a figure on that?

MR. D. McEWAN: No, I can't find out. I wish somebody in the Department of Agriculture in Ottawa would come and tell me, this is a wellhead price; this is what we put on for royalties in Alberta; this is what the Federal Government taxes us; this is what the Provincial Government taxes. All I said, Mr. Downey, was that at 20 percent, this increase has put a load on. I don't know what it is but I know one thing; that when you drive into my tank and fill up at my house with heater fuel and you drive over to my other tank and fill up from diesel fuel out of the same tanker, there is two cents a litre difference. That one I know for sure. It was two cents a gallon, now it's two cents a litre for the same fuel.

MR. J. DOWNEY: Just a further comment, Mr. Chairman, rather than a question dealing with that, talking about the tax on fuels. I think when you are considering non-purple fuels like straight consumer fuels that it is in the neighbourhood of two-thirds of the cost of that fuel is either provincial or federal tax, so you're quite correct. If some of the tax burden were relieved, then the farmers probably wouldn't mind paying a little bit more money for their transportation costs. That's all.

MR. D. McEWAN: All I am saying, Mr. Chairman, is that talking to my transfer driver, that his costs have been mostly fuel-related. They went from 73 cents a hundred to \$2.40 a hundred. When you look at the tractor cost per hour, when you go from 1973 at a \$1.45 an hour for five gallons to \$8 an hour in 1983, that I don't think that your transportation costs are going to increase that much.

MR. CHAIRMAN: Thank you.
Mr. Uruski.

HON. B. URUSKI: Mr. Chairman, just one question, on Page 9 of your brief at the bottom, the last sentence, "We must pay higher freight rates to keep our products competitive." Can you elaborate on that statement?

MR. D. McEWAN: I knew that line was going to come back to haunt me. We didn't edit it out. When I am saying "we" I rather should have said, both Eastern and Western and Canada - this is what I meant to say. This would come after my table on the hogs and how we've lost the production.

HON. B. URUSKI: You're advocating a totally open system in terms of the production of agricultural products, non-regulated.

MR. D. McEWAN: In transportation, yes, because this is what I have seen that has happened to Manitoba and Western Canada and especially Saskatchewan where you can take beef and buy it in Western Canada and take it down on the hoof, finish it in a feedlot in Eastern Canada, turn around and send it back here to where we consume it. If the trend had kept going the way it was and still keeps going, well you can see the mess our feedlots are in. It is going to get worse.

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: Thank you, Mr. Chairman. Mr. McEwan, I think it's Page 6 of your brief where you indicate - well at least, you leave the impression that the Crow Rate has distorted the hog production in Canada or shifted to the east. I think that is the impression I am getting from the comments that you make thereon. Is that correct?

MR. D. McEWAN: No, you can't blame that on the Crow. I get more upset over what used to be the eastern freight subsidy on western grains, and this corn-competitive price. Now if anybody can tell me, and I've studied it, how they arrive at a corn-competitive price, I do not know, but I know that at one time two years ago, western barley was being consumed in Ontario and they were underbidding American corn in Cuba. That was eastern corn. It went to Cuba.

This part of it, the Crow was always there, but this part that was born around the late '60s and it continued on through the '70s, that has been the detriment to the western livestock producer. This is why I wish somebody would take a look at all aspects of grain transportation, not just the Crow.

HON. A. ADAM: The federal proposal is that changing the Crow Rate, doing away with it, will advantage Western Canada in hog production and red meats, beef and hogs and so on. That's what they say out here. They also say that any adverse effects that will affect eastern producers by this change, they will address that question and subsidize eastern producers. So my question, I guess, is, where are we at if there is no advantage to western producers?

MR. D. McEWAN: I can't tell you that, but I know one thing; that if the Provincial Government in Quebec could sign an agreement to import grain from the Common Market which barley is running at \$100 a tonne subsidy, and up until now the Wheat Board has stopped the importation barley into Eastern Canada, they wouldn't buy one bushel of western grain if they could get it cheaper. To me, when I was a boy Winnipeg was second

largest marketplace for livestock in the world. Chicago was the first and now we don't even rate and something has gone wrong somewhere, and I can't tell you where, but it's something to do with taking this grain east in the raw product I'm sure of it.

MR. CHAIRMAN: Further questions for Mr. McEwan? Mr. Adam?

HON. A. ADAM: On Page 9 I think it is, Mr. McEwan, you indicate that the CPR operates like every successful businessman. The company uses the same principles as the CPR. Indications are that the CPR has received over \$11 billion since it was first started back in the 1867s or whenever it was. Their balance sheets show 11.8. Would that indicate that's the same as any other small businessman?

MR. D. McEWAN: What I am saying is that if you do not run a business for a profit and if CPR can get money out of the Federal Government and they go to bed without a conscience, that's their business. What I am saying to you, Sir, that I am tired of money being ciphoned off into places that are non-productive and goes down the drain. I think if you will go back to read Palliser's comment when CPR was deeded that 25 million acres - I take it this is what you're talking about as government grants - Palliser at that time said that this is an arid, non-productive part of the country only good for Indians and buffaloes. The Canadian Government had just taken this land away from the Indians for nothing and I suggest to you that grant cost the Canadian Government at that time nothing, because that land was worth nothing until the railway went through it.

HON. A. ADAM: I don't want to get into the argument of what the land was worth that was taken away from the Indians. If you'd ask the Indians that they would have a different opinion.

There are indications that farmers will be using approximately 16 percent of the transportation. They will be shipping 16 percent. It is also indicated that the cost to the farmer will be 99 percent of any upgrading. Is that a fair proposition?

MR. D. McEWAN: I can't comment on this because the only thing that I disagree with is this 31 tonne cap. Because if you want a productive Western Canada and you want to turn it into what we have in Southern Manitoba which is a continuous cropping system, you are going to have to have maybe more than 16 percent added by the farmers to the rail traffic. But if we stay at 5 or we drop back to 5 and we don't pay the rates, we could be in worse shape than we are, paying more than our fair share.

To me, if you look at this once on 12 here, on a bushel of wheat it cost me 57 cents. I'll tell you this is a good interest rate to store it for one year, and you add that to the 9 cents that I'm paying for wheat right now and you come up to two-thirds of the rate if I could move it. So we're covering up costs. We're blaming it on transportation costs which are covered up on our own expense sheets right at home. If you carry that wheat for two years, then you might just as well have moved it at a high rate.

HON. A. ADAM: That's an assumption based on, you assume that the grain is going to move?

MR. D. McEWAN: Sure.

HON. A. ADAM: Yes, and of course there's no guarantee of that.

I was interested in one of the comments you made when you said, in answer to Mr. Uskiw's question about being paid acreage payments for freight transportation, you said that you didn't feel you should be receiving for something that you were not using and paid for something.

It's interesting because we had a farmer at Anola who was a dairy producer, a milk producer. He indicated that he was using all his grains on the farm for the milk cows, the dairy cows. He said that he didn't feel, even though it would be an advantage to him to have this new setup, after looking at all the implications around that benefit to him, he didn't feel that he'd want to see the Crow rate changed. This is the second person at least that I've heard make a similar statement.

MR. D. McEWAN: Well when you're coming to freight rates and everybody assumes that freight rates right now under the Crow are distance-related, I talked to a Mr. Caverly from Bowsman a week ago and he and I have had some great arguments over the Crow. He was quite surprised that from Altamont to Thunder Bay in Southern Canada I was paying 16 cents cwt, and from Bowsman to Thunder Bay was 15 cents cwt. I'm at least 350 miles closer to Thunder Bay than he is, and yet I'm paying a higher freight rate.

So these anomalies have been in the system ever since it started.

HON. A. ADAM: One last question, Mr. Chairman. You expressed some concern on variable rates I think during your comments. Is that a concern to you? Do you think that might escalate rail branch line abandonments and closing up of elevators on branch lines?

MR. D. McEWAN: No, I don't.

HON. A. ADAM: Variable rates will not have an effect there?

MR. D. McEWAN: I don't see how it can, no.

MR. CHAIRMAN: Further questions?
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Yes, two questions to Mr. McEwan.

Mr. McEwan, I've just glanced through this again and I couldn't quite find what I was looking for. How important do you consider the agricultural sector of our economy to the well-being of our whole country?

MR. D. McEWAN: If your agricultural sector dies so will your whole country. If you go back in history, every society that built their high priests and had all their classes, had to have an agricultural society that would support the people that wanted to live in leisure or do different jobs in the city. Canada is no different. In fact

every time that we sell lots of grain all Canadians benefit for it because of the exchange that it brings back to Canada. It's only been in the last five or six years that the Federal Government started to realize this.

HON. J. BUCKLASCHUK: Then your view is that agriculture is of paramount importance to our country.

In your brief on the last page you'd indicated the success or failure of grain producers will be determined outside of Canada. You refer to the American PIK program, the billion dollar subsidies in the European Common Market and other factors. You had stated that it's really the well-being of the industry in Canada is very dependent on what happens in the outside world. Would you not then agree that in view of the importance of agriculture to the Canadian economy that all Canadians, whether they be in the west or in the east or whether they be working in the city or wherever, have some responsibility to see that the agricultural sector survives.

MR. D. McEWAN: Well, naturally, yes.

HON. J. BUCKLASCHUK: Then, would you agree that when we are talking about moving this very important agricultural product, grain, that whatever requirement those railways have, those costs, which are basically transportation subsidies that would be involved, the transportation subsidies should be picked up by all Canadians?

MR. D. McEWAN: No, I think you missed the point of my brief altogether.

HON. J. BUCKLASCHUK: I may have.

MR. D. McEWAN: That if the transportation costs had arisen, then you would be processing the raw materials in Western Canada and shipping them out in a process form and not in bulk commodities. We have built inequities into the system; somebody will say, well, I can't afford to ship this grain, but if it had of been in flour, or if the hogs would have been cut up and the usable by-products taken out, we probably could have shipped it at half of the cost for subsidies as we have in the past.

MR. CHAIRMAN: Further questions?

HON. J. BUCKLASCHUK: But the reality is that the Federal Government has said that it will protect the processing sector in Eastern Canada. Now, that being the case, how are you going to develop this increase in production in Western Canada?

MR. D. McEWAN: I can't second-guess politicians, but this, as I'm saying to you, as an Agricultural Committee, that if you reject any change per se, you're just helping the Federal Government to keep these inequities in the system, and somewhere in Western Canada we have to get together and say, look we want some of the money for processing up here.

MR. CHAIRMAN: Further questions? Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: But the reality is, and we all know it, that the seats are in Eastern Canada and I don't expect that there will be much change.

One further question, you had made reference to - I'm going to go back to the question Mr. Adam raised - every successful man or company uses the same principles as the CPR. This whole exercise that we're going through right now is to deal with the issue of meeting the requirements of CN and CP to help with their transportation costs. We've had two presentations from CNR. I'm just wondering, how do you view the fact that in the seven or eight meetings we've held so far, on this very important issue, that we've had no representation from CPR?

MR. D. McEWAN: I don't know. I'm not being facetious, I'm just a private individual, but I can show you from an old map that I have here of CNR where our line that was up for abandonment could have been changed into a very good unit train line, by-passed Winnipeg altogether, and we could have got our commodities in from Western Canada, our fertilizer, lumber and what have you. They could have picked up our grain, it would have come down to Emerson, by-passed, caught South Junction, went to Thunder Bay, which was written off way back in the 50s because there was no money in that branch line, plus the fact that the Federal Government threw a bunch of defunct lines on top of CPR and broke them.

I would like to see CPR tell me, or CN, or the Federal Government, exactly what it costs me to ship a bushel of wheat to whatever boat they're loading it on. When they load it, I think it's transferred again at Montreal onto the bulk carrier, it goes overseas, the Lakers come down. I would like to know the total cost of this grain and I think if anybody added them up they would agree with me that, instead of looking after the golden triangle down there we should have a processing industry in Western Canada.

HON. J. BUCKLASCHUK: Okay, just one final question then. As I indicated, CN has made two presentations to this committee, do you not think that CPR had a responsibility, as well, to provide us with that information?

MR. D. McEWAN: I live on a CN line and this is why I fought to keep it, was to keep CP from having all of southern Manitoba under their wing because, at that point in time, I could have seen where we would have all been hauling to No. 2 Hwy. or that track that runs along it. But, by keeping CN in there, and CN to me has been a very competitive railroad, I can remember back, when my father farmed it, grain came to Altamont from close to both CPR lines and went down the CN.

But, all I'm trying to say about referring to CP making a profit, that we all have to make a profit when you're running a business or you don't survive. I wouldn't be sitting here with this suit on today if I hadn't been profitable two-thirds of the time that I have been farming. The first 20 years I farmed for nothing; since 1973 and times have been good and I hope that they keep on pricing our products competitive enough to move, and move in volume and not sit on the farms.

MR. CHAIRMAN: Further questions? Mr. Adam.

HON. A. ADAM: Just one more question. In my questions to you, Mr. McEwan, I indicated that the

Federal Government is indicating that there would be increased processing in the West, and you have indicated that, as well, when you responded to Mr. Bucklaschuk's question; but, in view of the fact that Mr. Pepin has already indicated that he would not allow the Eastern producers to be adversely affected by any increased processing in the West, in view of that fact, what advantage will we have in the end, in the final analysis?

You said we have to sit down and talk with him and say, hey, it's our turn to have some benefits from processing, but I'm sure you're aware that's where the population is, in Quebec and in Ontario, and that is where the clout is, politically. How are we going to overcome that if Mr. Pepin, when he is in Quebec speaks one message and, when he gets out here, it's another message, that's what I'm trying to say?

MR. D. McEWAN: Well this is a line of rhetoric I didn't want to get into, but I think you'd better reform the Senate and have one senator from each region of the country and they try to equalize what it comes from. This whole mess in the livestock industry comes from Eastern Canada wanting to be self-sufficient, especially Quebec. I suggest to you that if our hog prices hadn't risen about a year ago, that the subsidies that were paid by the Quebec Government would have broken the Quebec Government and, at one time, there used to be a lot of investment in Western Canada in agriculture and all of a sudden it's disappeared. This is what I said about the hog industry in Manitoba, I think it's time that we, as producers, instead of looking for subsidies and what have you, start buying share capital and telling these companies we want it invested in this place. I don't know whether it will work, but it sure can't be any worse than what we've had.

MR. CHAIRMAN: Further questions? Seeing none, Mr. McEwan, thank you very much for being here today and for making your presentation.

MR. D. McEWAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Bill Spencer. Mr. Spencer, please.

MR. W. SPENCER: Mr. Chairman, members of the committee, ladies and gentlemen of the audience.

I'll first give you a brief reason why we're submitting this document to you. I'll introduce the gentleman on my right, Mr. Bill Zettler, who is a farmer in Portage.

A few of us, approximately 10, concerned farmers from the Portage area met at a farmhouse of a friend of ours and decided to present a brief to this committee and this is the document that I have before me and I think it's been passed out to you. I might explain to a few friends and neighbours who are here and are wondering why I'm presenting this on behalf of Portage, being that I am not from Portage but I'm presently working in Portage and I own a farm in the Altamont, Manitoba area, and I was invited to this discussion by friends from Portage so they asked me to present this brief.

The Crow rate introduced in 1897 and confirmed by parliament in 1925 has meant stable transportation costs to producers. This stability is as essential today

as it was in 1897, to all Canadians, not only to farmers. We feel that a fair transportation policy is so vital to the economy of the entire country that it should not be placed in jeopardy for the purposes of profit taking. It is true that our transportation system has to be capable and efficient, but the burden of maintaining such a system should rest with the general population, not be placed on the shoulders of farmers alone.

Although there have been many statements in the press to the effect that most farmers realize that we need change, there has never been any concerted effort to a grass-roots opinion of the farmers on this subject. A referendum of permit book holders has been studiously avoided.

One of the many inequities in the plan is that farmers situated on more productive land such as we in the Portage area farm, will be hit the hardest by proposed Crow benefit acreage payments. While a farmer would pay a higher freight rate on a per tonne basis on grain shipped, his Crow benefit will be paid on an acreage basis. A farmer pays a higher per acre price for highly productive land and is taxed more heavily on it. He often farms smaller acreages but ships more grain than the farmer on less productive land. Farms of the second type tend to be larger in acreage and to include livestock operations rather than straight grain production. Such a farmer may feed much of his grain and ship little or none yet because of his large acreage will receive a much bigger Crow benefit payment than the grain farmer who ships all of his crop and who will pay the added freight costs on every bushel he ships, thus being required to subsidize the farmer on less productive land.

Along came Mr. Snaveley. To begin with, we feel that the figures in the Snaveley Report are open to question. We understand that the accounting books of the railroad were never open to Mr. Snaveley and that a number of the costs included were merely estimates. Much of the cost of hauling grain has already been supplied to the railroads. They have been supplied with hopper cars, capital grants, tax concessions, and branch line subsidies. They are not even involved in the loading and unloading of the cars. All they really provide is track, diesel power and a caboose. It has been pointed out that the years of the railroads' greatest profits were the years of record grain haulage. Despite the loud complaints of the railroads about their monumental losses in hauling grains, they have never been known to offer the system for sale.

Paying the railroads higher freight rates will not guarantee better service. We need only look to our neighbours in the south where the unregulated compensatory rate system exists. The result is chaotic, with unreliable service, shortage of box cars and a deteriorated roadbed and tracks. Now in this area we're discussing are areas that are not in competition with the Mississippi River. We have reason for skepticism when we reflect on the postal service where the argument has been made that higher rates would provide better service.

According to "The Manitoba Co-operator", quoting Mr. Nick Mulder of Transport Canada, "The railways will have a three-year trial period before having to give performance guarantees. During that time the railways will get the higher freight rates and subsidies before a system for rewards and penalties is instituted. The

railway companies will call the shots still and the movement of grain will not have a priority status over other products anymore than it does now. It is ironic that a system that has treated the public so badly in the past should expect us to put our trust in it to provide these extra benefits in the future."

No doubt a large amount of grain will be shipped by alternate methods if freight rates are increased. The bulk of this traffic will move onto our highways in semitrailers. Thus after paying the railroads to upgrade their lines the taxpayers will be required to pay for upgrading and repairing highways and grid roads. This is in addition to the fact that more of our precious energy will be wasted in this fashion. If the government is intent on spending this \$650 million in producer subsidies anyway, would it not seem more reasonable for them to spend it directly in upgrading the transportation system and leave the present Crow rate unchanged?

The change in the Crow rate has been touted as a stimulus to the western livestock business and secondary industries. However, we feel that eastern governments would work hard to protect any advantage that that part of the country holds in these industries. Any over-production here would simply be reflected in lower prices. There is no way Manitoba could possibly benefit. It has been estimated that the Crow rate abandonment will cost the average western farmer \$8,000 a year. Now on this, simple mathematics reveals to me and should reveal to the Chambers of Commerce of these communities that 100 permit holders is going to cost \$800,000 in loss of revenue to that community. It is our opinion that any thinking politician in Manitoba should be working to defeat this proposal.

The Crow rate was part of a larger package agreement and if the Crow rate is to be renegotiated then the entire package should be re-examined, not just the freight rates in isolation. Transportation is so vital to the national interest that it should be handled for the benefit of the entire country and not just the well-being of a few shareholders. We believe that the freight rate for grains known as the Crow rate, as paid by farmers, should remain at the present level and be extended to other agricultural commodities. Any necessary subsidies should come out of the general revenue.

In conclusion, Mr. Chairman, this arrangement was supposed to last forever and I doubt that we've reached that point in time. Thank you.

MR. CHAIRMAN: Thank you, Mr. Spencer, any questions for Mr. Spencer or Mr. Zettler or members of the Committee? No questions?

Mr. Orchard.

MR. D. ORCHARD: Mr. Spencer, on Page 1, you mentioned a concern you had about the acreage payments. That acreage payment formula, we are led to believe, will have in it a factor to compensate for additional productivity where additional productivity is clearly demonstrated. Would that remove some of your concerns about the unfairness of payments on a simple acreage basis?

MR. CHAIRMAN: Mr. Zettler.

MR. B. ZETTLER: As I understood it, that hasn't been done yet. They're touting this as a plan, especially up in the northern areas, from what I understand from farmers they consider they'll get the same amount of acreage payments in arid regions, say, of Alberta, as what they're going to get right here.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: I believe information that's been made available to the committee would indicate that they do factor in productivity to accomplish the very thing that you're concerned about to make sure that doesn't happen. Mr. Spencer, you mentioned you had a certain skepticism in there for the postal service, where higher rates provide better service. There has been those who would propose the solution to this would be to nationalize CPR and make it another Crown corporation. Would you feel comfortable with CPR as another Crown corporation, as well as CNR, in the handling of our transportation system, basis your opinion on the postal service?

MR. W. SPENCER: Would I feel comfortable? Yes.

MR. D. ORCHARD: You think that they would be able to provide the better service for a lower price that the post office hasn't been able to do?

MR. W. SPENCER: Could you repeat that last part of the question please, Mr. Orchard?

MR. D. ORCHARD: I'll use your line in here. "We have reason for skepticism when we reflect on the postal service, where the argument was also made that higher rates would provide better service," and, since the post office is a Crown corp run by the same people, presumably, that would now run the new nationalized CPR, you have the concern with the postal system but not the concern with the nationalized railway system.

MR. CHAIRMAN: Mr. Zettler.

MR. B. ZETTLER: You're missing the point of the question here. We're talking about two different things. One, we're talking about increased rates, and another, we're talking about nationalizing the CPR. Now do you want to talk about nationalizing the CPR or do you want to talk about increased rates? They're two different things. You're mixing the two questions there.

MR. D. ORCHARD: Let's separate it then. You, first of all, don't believe that increasing freight rates would enhance the movement of grains from the prairies?

MR. B. ZETTLER: You mean that grains would take higher priority with higher freight rates?

MR. D. ORCHARD: And they would move at a higher volume at a faster rate.

MR. B. ZETTLER: Do you not think then, maybe, that the freight rate on potash or something might go up then, too?

MR. D. ORCHARD: Now we're mixing potash and grain. I asked the question of you, do you believe, your statement obviously would indicate that you don't believe by paying more we'd move grain faster, and I just want to make sure that that's what your impression is?

MR. B. ZETTLER: Experience, for instance, in the States, has shown that this isn't necessarily so.

MR. D. ORCHARD: Then, basis experience in the States, are you aware that in the decade of the 70s, the American grain export system doubled their exports to the world market while we increased by about 12 percent?

MR. B. ZETTLER: Okay, we're talking about a whole different thing again. The production increased in the States because they got rid of the Set Aside Program there for a few years. That's why they have increased production; they got rid of the Set Aside Program so there was more stuff to export.

MR. D. ORCHARD: And I suppose a railroad system might have helped moved that to export position?

MR. B. ZETTLER: Pardon? What you do want to talk about now, exporting?

MR. D. ORCHARD: You're talking about surplus of grains and removal of Set Aside, but I would have to assume that at least some of that grain got to export position by using the railroads.

MR. B. ZETTLER: The American system, if you have the American system, most of that goes by barge.

MR. D. ORCHARD: I want to ask Mr. Spencer, do you currently truck any grain off your farm, like flax, to alternate markets like Minneapolis?

MR. W. SPENCER: Currently, as in now?

MR. D. ORCHARD: As in the last several years?

MR. W. SPENCER: Yes I have.

MR. D. ORCHARD: Another question for Mr. Spencer. You've indicated in the last page of your brief that a pro rata bantam will cost the average western farmer \$8,000 a year. Where did you get that figure? How did you arrive at that figure?

MR. W. SPENCER: Quoted from the CBC on last Monday, the CBC Journal.

MR. D. ORCHARD: Okay. I might remind you that the CBC is another Crown corporation like the post office.

MR. W. SPENCER: Thank you, Mr. Orchard, I was aware of that.

MR. D. ORCHARD: Good. Now, do you know whether that \$8,000 was a net or a gross figure to the farmer?

MR. W. SPENCER: I expect it was gross.

MR. D. ORCHARD: So then one would have to assume that the acreage payment would have to be deducted from that to arrive at the real cost and you're not aware of whether that was done?

MR. W. SPENCER: No, I would assume that we would have to subtract the acreage payment but I am not sure. \$6,000 probably would be a . . .

MR. CHAIRMAN: Further questions? Mr. Plohman.

HON. J. PLOHMAN: Mr. Spencer, the previous presenter said that the increased transportation costs that would be incurred by producers, or at least I think he inferred that, six times the Crow, if the Pepin proposal was in place by 1990, would not have the negative effect on the farm community, in the rural communities in Manitoba, on the producers, that many of us are saying that it would have because there would be all of the secondary processing that would spring up in Manitoba and western Canada, and so, therefore, I guess they wouldn't have to ship at this increased high cost of 6 times the Crow and it would stay here and be processed. Do you feel that that is a theory that you could support or that you feel would actually take place or do you just miss that?

MR. W. SPENCER: I don't think that will take place because we don't have the population base here to buy those products.

MR. CHAIRMAN: Mr. Zettler.

MR. B. ZETTLER: As far as this more processing here, I think one of the items that's been touted is we'll get more processing of rapeseed and so on, well, one of the countries that buy a lot of our rapeseed is Japan, and they buy as cheaply as they can. If they buy the oil, they're going to buy it as cheap as they can, probably less than we can process it for, so if they can buy the raw product elsewhere for a more competitive price they're going to go there for it. They would prefer to buy our raw product, rather than our processed oil because they want to get the rapeseed there and process it themselves.

HON. J. PLOHMAN: I happen to agree with you, Mr. Chairman. I just want to ask one other for your comments on farm organizations. You know farm organizations have made presentations, they've taken stands, they've negotiated with Pepin, and yet you're saying today there's never been a referendum, they've never asked a producer, something like we're doing here today and the series of meetings that the Manitoba Government has put in place. They've never asked, gone off to the people and asked for their opinions. Do you feel that the farm organizations have represented their membership?

MR. B. ZETTLER: The representations that have been made by some of these organizations really are commodity organizations; they're not really a producer organization. A good example might be the Manitoba

Pool. Certainly they represent producers in a connection that has to do with the selling of their grain but they don't represent the guy at the bottom end. The fellow at the bottom end is the farmer and he's the guy that's going to have to pay the freight rates, not Manitoba Pool.

MR. CHAIRMAN: Further questions. Mr. Uskiw.

HON. S. USKIW: I take it from your brief that you would want to leave things as they are. Is that correct?

MR. W. SPENCER: Yes.

HON. S. USKIW: Are you then making the point that current subsidies by way of hopper-car supplies and branch-line subsidies should continue?

MR. W. SPENCER: Yes.

HON. S. USKIW: Mr. Zettler, you mentioned a moment ago that in your opinion Manitoba Pool is not a farm organization, how do you arrive at that?

MR. B. ZETTLER: I think it was originally intended when the people got together to form this, it was a way of marketing their grain, not a grass-roots organization to be making policies for farmers, like in connection with their basic items they're growing and so on. It's a commercial organization. It's not a basic grass-roots agricultural organization.

HON. S. USKIW: I'm somewhat confused by that because my understanding of it is that the delegates are elected. In turn they meet annually to formulate policy for the organization as such and since delegates have to be elected at the local level, it bothers me to think that is not representative of local thinking or that it is not representative of producer thinking.

MR. B. ZETTLER: Yes, it is a producer representative, right, but it's commercial. It has to be with the commercial end of it rather than the grass-roots farm end of it, the agricultural end of it.

HON. S. USKIW: Just to follow up on that, though. The logical extension of producer power was the establishment of their own handling and distribution system so that in essence it's hard for me to understand that somehow there's a conflict between that system and the producers who put it there. Now, I know there is always room for differences of view as to what that system ought to do from time to time, but in terms of the way in which it's established I would have thought that we would have said it's great to have producer power extended by owning its own handling system, its marketing system or even own the railroad system if they can muster that. I have a difficult time understanding why we would not want to tie that much closer together?

MR. B. ZETTLER: I believe in co-ops and pools too.

MR. CHAIRMAN: Further questions? Mr. Manness.

MR. C. MANNES: Thank you. I'd like to ask either one of the gentlemen whether they are aware of the fact that railways were making a profit under the Crow rate until 1960 and that, indeed, the farmers paid the total cost until that time and that the taxpayers of Canada were not required to make payment to the railways to 1970 to subsidize transportation. I would ask whether or not you'd feel that inflation has had a tremendous impact over the last 10 or 12 years and has brought this whole crisis to a head and how long should the railways be expected to haul at a time when inflation is compounding?

MR. B. ZETTLER: Are you referring to the CPR here now when you get up?

MR. C. MANNES: Well on this issue I have a very difficult time distinguishing the difference. So, railways, general, yes.

MR. B. ZETTLER: Well I think they have to look at the whole package here, like when you go to renegotiate a thing like this. The whole package that was given to the railroads originally has to be considered.

MR. C. MANNES: Well, I'd like then to ask the witnesses, are they aware that indeed this was done and it was done under the MacPherson Royal Commission set up by John Diefenbaker in the early 1960s. That whole question was reviewed and indeed the conclusion drawn at that time was that indeed those assets that were given were not to be considered. Are you saying you disagree with that, or, in fact, it should be looked at again?

MR. B. ZETTLER: Well, I don't agree with the findings of the MacPherson Commission that they only take the railway by itself and don't look at all these other assets.

MR. CHAIRMAN: Further questions by members of the committee? Mr. Downey.

MR. J. DOWNEY: I have a couple of questions to the gentlemen. They have indicated they're not satisfied with the representation . . .

MR. CHAIRMAN: Mr. Downey, could you use the microphone please.

MR. J. DOWNEY: . . . not satisfied with the representation they're getting from the Manitoba Pool, what farm organization is giving the farmers the best representation on this whole Crow rate debate?

MR. B. ZETTLER: Well, any direct farm organization that gets a membership fee right from the individual producer is one that should be allowed to speak on behalf of the farmers.

MR. J. DOWNEY: And which one of those in Western Canada, today, do you feel would be the best one to represent those farmers?

MR. B. ZETTLER: The National Farmers Union, for myself.

MR. CHAIRMAN: Further questions by members of the committee? With the committee's leave, I have a couple of questions I'd like to place to the witness.

Mr. Zettler, Mr. Spencer, you express some concern and you've given me some concern about the representivity of farm organizations further to Mr. Downey's question and many organizations have made presentations to the committee other than individual farmers including the National Farmers Union. I expect we will be hearing from the Manitoba Pool, we've heard from several other organizations involved in agri-business and other farmer organizations. I'm wondering if you can tell me, in terms of those organizations, which organizations you feel are most representative of farmers' opinions. Now, you've said for yourself the National Farmers Union, but you know, as I'm sure all the members of the committee know and that public, the National Farmers Union membership in Manitoba is not that large.

Now if you were to rate the various commodity groups, Hog Producers Marketing Board and other boards as well as other commercial interests, whether they be the railroads themselves or United Grain Growers or the Manitoba Farm Bureau or the Manitoba Pool, all of which purport to represent a much larger number of farmers than does the National Farmers Union, which one of those do you think would be most representative of farmers in the province, particularly grain producers?

MR. B. ZETTLER: First of all, to get back to the points, on a direct membership basis, like it's all very well when you might say Manitoba Pool, you might say United Grain Growers, you have overlaps of membership so you don't really know who's in what. The other thing is many of these organizations have conflicting views and then when they come up with a conflicting view they come out with a kind of neutral opinion on it. For example, the Federation of Agriculture, their opinion in some items become neutralized because they have people speaking from both sides.

MR. CHAIRMAN: So, you wouldn't want to then suggest that any one organization in Manitoba should carry more weight in terms of its representations to this committee than any other? You're suggesting that really no farm organization speaks for the producers in this province with a clear voice as a representative of those farmers? Is that what you're telling us?

MR. B. ZETTLER: Yes, I think that would cover it. That's why, for myself, I would really like to see a producer vote, every permit book holder have a chance to cast a ballot as to whether they want this thing changed so that they're going to pay more or they're going to pay less.

MR. CHAIRMAN: That was my next question, as to whether or not that was the reason you were putting that in there, because really you felt no one spoke for farmers.

MR. B. ZETTLER: On a grass-roots basis, yes. That would be the way to get it, a vote.

MR. CHAIRMAN: Thank you.

Further questions? Mr. Uskiw.

HON. S. USKIW: That last answer intrigues me somewhat. Do you think that a simple vote on the proposition as to whether you should pay more for transporting your grain to market or not is a valid way of putting a question to the public?

MR. B. ZETTLER: Well it would be easier to understand and it'd be sure a hell of a lot better than that rapeseed vote a few years ago where you got a "Yes" and a "No" and then a "No Opinion".

HON. S. USKIW: Do you think the Government of Manitoba or Canada could function financially if it had to put to a referendum every tax increase that we must make from time to time?

MR. B. ZETTLER: Sounds like a loaded question.

HON. S. USKIW: It sure is. It's the same problem. We tend to vote for our immediate selfish interests is the point I'm making, and therefore it's very difficult, at least I would think it is, and I would want to ask your opinion on it. Is it not difficult to draw the kind of conclusion that we must draw from a sampling of public opinion? Something very simplistic simply can't suffice as I see it, do you not agree? Anyone will vote against something that's going to cost more money by and large if it's a very simple question Yes or No, do you want to pay more.

MR. B. ZETTLER: Are you going to say though that there's not going to be any Yes votes there, because by the opinions that are being expressed by some people, you'd think they want to pay more.

HON. S. USKIW: I would think that's fair, yes. There likely would be some that would say, Yes we should pay more, but by and large referendums or votes that are put to the public are usually worded in such a way as to extract the desired result depending on who is putting forward the question. I really don't have any faith in that.

MR. B. ZETTLER: I can help you with the question.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman, this subject of referendum as to whether you would pay more kind of intrigues me. I'd like to know if you two gentlemen, had you had the opportunity of a referendum, would have chosen to pay the payroll tax, the increased sales tax, increased fuel tax in the last year and a half, and if you had the opportunity would you vote Yes for mandatory use of seatbelts by referendum?

MR. CHAIRMAN: Order, Mr. Orchard.

MR. B. ZETTLER: It sounds non-partisan.

MR. CHAIRMAN: I have some difficulty tying this to our mandate on Western Transportation Initiatives. If

you can stick the word "grain" in your question somehow, you might be able to cover it up.

Further questions, Mr. Orchard.

MR. D. ORCHARD: No, that's fine.

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: You talked about grass-roots representation or grass-roots farmer. You're here representing this brief, it's a personal brief. You're not representing any organization?

MR. W. SPENCER: No, we're not. It's a group, as I said at the start, approximately 10 of us that met over a couple of evenings and it was signed. Also the document was signed by approximately 20 farmers, I have signatures of 20 farmers in the local Portage area.

HON. A. ADAM: I see, thank you very much.

MR. CHAIRMAN: Mr. Spencer, when you refer to a signed document, have you provided the list of those individuals who signed the document with the Clerk, so she'll have that in her records?

MR. W. SPENCER: I have not provided it yet, but I will at the conclusion of my brief.

MR. CHAIRMAN: Since the document is on behalf of all those individuals we should have their names in the record.

Mr. Plohman.

HON. J. PLOHMAN: It's been said by some I guess that the referendum idea isn't necessarily practical or should be necessary in all cases where major decisions are being made. What do you think of an alternative to that by the Federal Government? If the farm organizations themselves have not given an adequate sampling of farm opinion on this question, do you think that the Federal Government should be, after tabling its intentions in the bill and so on, should be soliciting reactions from the farm community in a similar process to what we're doing right now in the Manitoba scene?

MR. CHAIRMAN: Mr. Zettler.

MR. B. ZETTLER: That would be a last resort, but getting back to the referendums, hell they had one a few years ago to decide if you wanted to pay a charge for plant research or something. I don't think that's near as important issue as what this Crow rate deal is. Now if they could have one for that, why the hell can't they have one for the Crow rate issue?

MR. CHAIRMAN: Further questions from members of the committee.

Mr. Plohman.

HON. J. PLOHMAN: So you would say either a referendum or a set of hearings to have people give their direct input would both be acceptable, but would be necessary?

MR. B. ZETTLER: Yes.

MR. CHAIRMAN: Further questions.
Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I don't want to prolong the questioning, but I do have a concern about some of the information that was provided in the brief.

I understood that the figure of \$8,000 came from the CBC Journal. Is that correct?

MR. W. SPENCER: That's correct.

MR. J. DOWNEY: Is that normally where the Farmers Union has their research work done?

MR. W. SPENCER: We are not here, Mr. Downey, to represent the Farmers Union. As I explained in the outset of this brief we were a group of concerned citizens from the area of Portage la Prairie who met at a kitchen table and come up with this brief and we're here presenting it to you.

MR. CHAIRMAN: Further questions? Hearing none, Mr. Spencer, Mr. Zettler thank you very much for making your presentation here today.

The next name on my list is Mr. Don Alexander.
Mr. Alexander, please.

MR. D. ALEXANDER: Mr. Chairman, and members of the Standing Committee on Agriculture, I welcome this opportunity to present my concerns on the Western Transportation Initiative. However, before addressing the issue allow me to introduce myself.

I am, of course, Don Alexander of Miami. I was raised on a farm and started actively farming in 1954 by renting land and working with my father. Later I bought out my uncle and finally my father. I presently own and operate 740 acres, 640 of which are suitable for grain production and consist of Class 2, 3, and 4 soils. I produce wheat, barley, flax, canola, sunflowers and corn under a continuous cropping program. In addition I have a few laying hens and in years past have raised cattle.

Next, let's look at some important historical dates; 1885, 1897, 1918, 1922, 1925 and 1952; 1855, of course, marked the completion of the transcontinental railway which was affectionately known as the CPR. It was the culmination of a dream hatched by federal politicians. Naturally there were charges of scandal etc., but we must remember that there were at least three previous attempts to build this railway which ended in bankruptcy due to insufficient funding and little prospect of immediate financial return. After all we must remember that Palliser described the bulk of the prairies as a vast, barren wasteland. Therefore the Federal Government's contribution to the CPR of \$25 million and 25 million worthless acres must be viewed as an astute move, otherwise Canada as we know it today would probably not exist.

In 1897 the Crow rate was negotiated between the CPR and the Government of Canada. As you know it covered 289 delivery points and 2,915 miles of track and covered selected items moving east from the west, as well as selected items from Eastern Canada going to the prairies.

In 1918 the Crow rate was suspended by Parliament under the War Measures Act. In 1922 the Crow rate was reinstated on the CPR but only on grain and flour products moving from the prairies to Thunder Bay.

1925 brought about the unilateral action by the Federal Government in which the CNR, as well as the CPR, were compelled to haul grain from well over 1,245 delivery points involving over 16,500 miles of track, not only to Thunder Bay, but Churchill and Vancouver as well at the Crow rate, or to be more precise, 1/2 cent a ton/mile. I think it is important to remember that the railway didn't always charge the full rate, but alas, in 1952 the railways cried "foul", expenditures for hauling grain exceeded revenue. What would the government do? After all, said the farm community, the Crow is enshrined in stone.

But from the events that took place in 1918, 1922 and 1925 it's obvious to me that such is not the case. The Federal Government in a frantic attempt to walk a political tightrope set up royal commission after royal commission and introduced band-aid measures such as branch line subsidies, box car rehabilitation, hopper car purchases and other things.

Gentlemen, in 1983, 31 years after the railway reached the break-even point, when the Crow rate represents 20 percent of the cost of hauling grain, when the primary elevators get twice as much for handling grain as the railways do for hauling it, when the cost of mailing a letter is 32 cents, when coffee is 50 cents a cup, we are still arguing the point whether the railways need a rate increase in hauling grain.

In the meantime we have seen the quota system become a means of rationing rail shipping space to individual producers. Unfortunately, quotas are not based on seeded acreage alone. Producers are allowed to include summer fallow as well as improved acres. Recently summer fallow has been identified by Bentley in Alberta and Rennie in Saskatchewan as the most important factor in soil degradation problems on the prairies. The only reason for the problem not being worse than it presently is, is that fertilizer is masking the effect, but unfortunately even with fertilizer yield potential is only 85 percent of what it should be. Furthermore, improved land means running a bulldozer through a bush and calling it a pasture or draining a slough and calling it hayland, both extremely damaging from a land-use and a wildlife point of view.

The Red River Valley is blessed with favourable soils and climate such that special crops are very popular and have almost entirely replaced summer fallow. This, in spite of the fact that many of these crops are transported at compensatory rates rather than statutory rates and I might add there does not seem to be a transportation problem.

The Manitoba Department of Agriculture, 1983 Crop Planning Guide indicates that the total operating costs for producing one acre of wheat is \$85.90 and that fixed costs are an additional \$80.70 or a total of \$166.60. In order to cover the operating costs at my delivery point where the initial price on No. 1 CRSW is \$4.45 a bushel I would require a quota of 19.3 bushels per acre. Presently the quota is 14.5 bushels per acre which is far above what it has been in previous years at this time. There are those, including my banker, who say that the \$6.10 an acre interest charge in the operating costs are not high enough. Others argue that

one of the reasons operating costs are so high is because a substantial part of the costs are provincial and federal taxes. For instance, a tax on the natural gas to make a tonne of Nitrogen Fertilizer is \$40 or approximately \$3 an acre at the rate I use it. Another unnecessary high cost in the fixed cost category is the storage of the grain at \$2.70 an acre.

To those who say removing the Crow rate will destroy the orderly marketing system, I say, Poppycock! It's being destroyed now by end-running the system in order to get the cash flow necessary to pay commitments on time. When the Wheat Board claims that we are losing sales because of a lack of transportation, in 1978 the figure was \$1 billion, I say we can't afford the Crow rate any longer. When one looks at our export performance over the last number of years, the picture to say the least is dismal. Same performance year in and year out with the exception of the last two years. In the meantime the USA has expanded its exports by 500 percent from 1970 to 1980. That certainly indicates the market is there if we could only transport it.

Furthermore, I find it absolutely disgusting when USA terminals have a stock turnover of 15 times per year while we in Canada have difficulty with a 3.5 fold turnover of stocks in our terminals. Furthermore, demurrage on waiting ships are a direct charge to producers simply because we could not deliver on schedule.

The railways this past year have certainly proved that they can move the grain but if coal, potash and lumber start moving again you can't expect the performance to continue without incentives and substantial improvements to the mountain sections of the railways. Many argue that these improvements will not help Manitoba. I urge you to remember that the market for the future is in the west and not the east. Furthermore, additional marketings through Vancouver means that the dividing line between Thunder Bay and Pacific coast ports will move further east resulting in higher movements per producer in the Thunder Bay area.

To those who say that changing the Crow will not guarantee secondary processing, I simply say look at the bind the crushing industry is in now with the Crow, they are certainly going to die if the rate is not changed. Furthermore, if it does change there is plenty of room for additional expansion.

In short, gentlemen, I think by and large that the Western Transportation Initiative being proposed by what we consider, a hostile government are reasonable and fair and rather than worry about whether the rate should change at all I think we should spend more time ensuring that the outcome will treat all grains fairly.

Finally, gentlemen, I have my reservations about your motives for conducting these hearings in the first place, simply because transportation of grain does not come under provincial jurisdiction. Despite the fact that this subject does not concern that many Manitobans you have held seven hearings. Earlier this year, there were hearings on Assessment Review, that is the Weir Report. This subject concerns all Manitobans and yet there were only four hearings scheduled and a fifth was finally arranged after considerable lobbying. This subject falls within the jurisdiction of the Provincial Government, has considerable tax-saving implications for me. Even though the last hearing was on February 8, 1983, the Standing Committee has not met to prepare its report for consideration by the Legislature.

In conclusion, I trust that you will give serious consideration to my concerns.

MR. CHAIRMAN: Thank you, Mr. Alexander. Any questions for Mr. Alexander from members of the committee?

Mr. Uskiw.

HON. S. USKIW: Yes, Mr. Alexander, I wonder if you would clarify for us whether it is that your position would be that you would prefer a totally free market in transportation?

MR. D. ALEXANDER: As I understand it, Mr. Uskiw, the Federal Government is going to set up a review agency which will review freight rates from time to time and, as I see it, that's no different than our Public Utilities Board in Manitoba which reviews rate increases that are asked for by the Telephone, the Natural Gas people and so on.

HON. S. USKIW: You're not making a case for the farmer paying his own transportation costs?

MR. D. ALEXANDER: Well, as I said, I really didn't see all that much wrong with the Grain Transportation Initiative as proposed by the Federal Government in which they are going to cough up a subsidy of \$651 million and from then on we share the inflationary costs between the producer and the Federal Government.

HON. S. USKIW: Are you aware as to the total commitment of dollars that will flow to CN and CP Rail over the decade ahead under that proposal?

MR. D. ALEXANDER: Well, it's some billions of dollars which are necessary to improve the mountain sections of the railways, otherwise we are going to have a fantastic tie-up in traffic.

HON. S. USKIW: Are you aware that the figure is in excess of \$13 billion of revenue based on the new regime?

MR. D. ALEXANDER: It's fairly high.

HON. S. USKIW: That is accurate. The additional benefit is some \$9.4 billion over Crow benefit to the railways. So they will have an additional revenue of \$9.4 billion. Are you aware that the Federal Government is going to pick up \$5.4 billion in direct subsidies?

MR. D. ALEXANDER: Well, again, as far as I'm concerned, the money is necessary to go through the mountains and when we build a road out in the wild and willy prairies here, I think we're talking a million dollars a mile or maybe even in excess of it now. Now, to build a railway through the mountains, I have no idea what it costs them a mile and then the repair costs, particularly on curves in the mountains, it's my understanding every 18 months the rails on the curves have to be removed and replaced and this is one of the problems if we only have a single track.

HON. S. USKIW: Well, it appears that the railways are going to be spending about \$9.5 billion in Western

Canada over the next decade in new construction activity to upgrade their railway system of which the Government of Canada is going to put up 5.4 billion, the producers are being asked to put up 4 billion. So, you've got the total sum of the CN and CP capital investment over the next decade picked up by the Government of Canada, which is the taxpayers and the farmers, through a new rate regime. Are you aware that of the increased tonnages for which this is all being done, that grain represents only 16 percent of increased tonnage at the most optimistic projection of increased shipments to the west coast?

MR. D. ALEXANDER: Well, there's no doubt that there's going to be a lot of coal and potash shipped out of the mountain areas as well. But if there was an increase in traffic on the roads in Manitoba, would you make that increase in traffic pay additional, or would you spread it out evenly amongst them all?

HON. S. USKIW: Well, I'm raising the question of you, sir, whether or not you think it makes sense for the farmers and the Government of Canada to put up 100 percent of the capital cost of upgrading the railway system.

MR. D. ALEXANDER: Well, Mr. Uskiw, my position is, I think, quite simple and clear. I'm dying somewhat the same way McEwan is, by overhead costs which I think are unnecessary if the grain were to move. Now, whether I pay it to the bank and get nothing for it or pay it to the railways and get something for it, I think is a desirable move as far as I'm concerned.

HON. S. USKIW: Do you feel it's reasonable to ask the average individual who has an earned income based on his or her labour, to put forward that substantive a subsidy towards rail upgrading in Western Canada? In other words, the income tax system is going to have to pay for it. Do you think that's a fair imposition of costs of transportation on non-users of the system?

MR. D. ALEXANDER: Well, I am of the same opinion as the first speaker up here and we never got together on our briefs, so I didn't know what he was saying until today, but if we'd have wrestled with it or solved the problem back in '52 we wouldn't be faced with this dilemma today. Now, the way of solving it today may be undesirable but it's got to be remembered that all the people in Canada are going to benefit and if the taxpayers have to put in some money, well, fine and dandy.

HON. S. USKIW: Okay, let me ask you the last question, well, hopefully the last one. Why not then from your perspective, sir, if you believe that there is a need for revision, why not allow the marketplace to determine the rate without the benefit of taxpayers' support?

MR. D. ALEXANDER: And so everything would be . . .

HON. S. USKIW: Wide open.

MR. D. ALEXANDER: . . . wide open.

HON. S. USKIW: Yes.

MR. D. ALEXANDER: Well, why should we put the railways in this position when the telephone system or the hydro system or the natural gas system doesn't have to work under those conditions?

HON. S. USKIW: Well, I'm not certain what it is you are deriving from my question.

MR. D. ALEXANDER: All I'm saying is, why should we pick out the railways and make them the goats?

HON. S. USKIW: My question was, why not let them be free and charge whatever they want?

MR. D. ALEXANDER: Well, I think if that were the case the majority of farmers would cry foul.

HON. S. USKIW: I thought we'd get to this point. I've got my answer. Thank you.

MR. D. ALEXANDER: Just as they're crying foul now, of course.

MR. CHAIRMAN: Further questions? Mr. Adam.

HON. A. ADAM: On your second last page, Mr. Alexander, you questioned the motives of this committee coming out to talk to farmers. Could you explain why you oppose a committee that was appointed by the Legislature to come out and get the views of farmers throughout Manitoba? What do you find wrong with that process in a democratic society?

MR. D. ALEXANDER: Well, we spent a lot of time arguing about the Constitution and it gives certain rights to the feds and certain rights to the provincial people and certain rights to the municipal people. It is my understanding grain transportation does not come under provincial jurisdiction.

HON. A. ADAM: It may be true that transportation does come under federal jurisdiction. Certainly, the results that could happen because of this change may transfer substantial costs onto the provincial coffers to maintain our grid road system in the Province of Manitoba, but that still doesn't answer my question as to the motives. You seem to question the sincerity or the integrity of your elected people to come out and outreach and talk to farmers.

MR. D. ALEXANDER: Well, I think, Mr. Adam, it's fairly evident that in an area where you have no jurisdiction . . . My biggest concern is that there are so many different people trying to make light of this issue and there are so many different conflicting reports, that all we're doing is adding fuel to the fire.

HON. A. ADAM: Mr. Chairman, it's back to my first question to you. In view of the fact that the studies that have been made by the provincial Department of Transportation on the impact of the changes to the Crow rate to Manitoba farmers, to the road system and so on, do you not feel that it would be irresponsible if we did not provide information to the public of what the impact would be?

For instance, the Province of Saskatchewan has mounted a massive advertising campaign in opposition to the advertising that was sent out by the federal people - I believe they're spending \$700,000 or \$800,000 - on trying to lobby for the Pepin package. Do you not feel that in view of the fact that Saskatchewan has passed a unanimous resolution in the House opposing any change, do you not think that it would be irresponsible if Manitoba just sat back and did nothing?

MR. D. ALEXANDER: Mr. Adam, to answer this in a nutshell, I think there's too much politics getting involved in it.

MR. CHAIRMAN: Further questions? Mr. Adam.

HON. A. ADAM: You also mentioned something about the Weir Committee, which I am involved in since it comes under my department. You seem to criticize the fact that there were only four or five meetings. Are you aware that the opposition were opposed to having any hearings, and that most of the municipalities wanted us to proceed . . .

MR. CHAIRMAN: Order please.

HON. A. ADAM: Well, Mr. Chairman, on a point of order, this is in the brief. It's an attack on the Minister who is in charge of hearings and it's in the brief. I think the Minister has the right to respond. It shouldn't have been in the brief.

MR. CHAIRMAN: I would appreciate it, Mr. Minister, if your response was short and to the point so we can carry on the Western Transportation Initiative. Please proceed.

HON. A. ADAM: Well, Mr. Chairman, if it wasn't in the brief I wouldn't have raised it, but the fact is that most of the municipalities, when we received the Weir Report, wanted us to implement them without any review, and that goes for the official opposition, members who are sitting on the other side of this committee at the moment, and I think I kind of resent that.

MR. D. ORCHARD: Was that a question, Mr. Chairman?

MR. CHAIRMAN: No, I think that was a statement. Questions.
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Okay, I will refer that to particular line, too. I have my reservations about your motives for conducting these hearings in the first place. I would gather then, Mr. Alexander, that you would agree with the Member for Pembina who is quoted in Hansard as referring to these as being "silly little meetings."

MR. CHAIRMAN: Mr. Alexander.

MR. D. ALEXANDER: Sorry, Mr. Bucklaschuk, I don't get Hansard.

HON. J. BUCKLASCHUK: That is the exact quotation from Hansard. I just wanted to know whether you agree with that viewpoint?

MR. D. ORCHARD: What page is that on, John?

HON. A. ADAM: We can cite you chapter and verse.

MR. CHAIRMAN: Question. Is there a question, Mr. Bucklaschuk?

HON. J. BUCKLASCHUK: I wanted to know if there was agreement with that viewpoint.

MR. D. ALEXANDER: I said I didn't agree with the motives that I suspect are for conducting these hearings.

MR. CHAIRMAN: Further questions?
Mr. Uskiw.

HON. S. USKIW: Yes, just on that point, Mr. Alexander, what motives do you see in these hearings?

MR. D. ALEXANDER: Well, as you're readily aware, Mr. Uskiw, there's two schools of thought; one that it should be changed, and one that it shouldn't be changed. Political parties have aligned themselves on one side of the fence and on the other. My concern is that we're getting more and more confusion into this issue than we're getting light into it.

As for the matter of having a referendum, there's no doubt in my mind that it would be resoundly defeated, but it would be defeated more on emotion and misinformation than on fact.

HON. S. USKIW: Yes, I'm somewhat intrigued by that observation of yours, sir, because, both in Saskatchewan and in Manitoba, all the legislators that have been elected to those two Assemblies have voted unanimously for the resolution to deal with this question and, indeed, to discuss the question with the public. The Saskatchewan Government is putting forward a much greater effort on this issue by way of expense and representation than indeed we are. That's to be recognized, given that they are the No. 1 grain producer on the prairies but, notwithstanding that, I don't think that I sensed any partisanship on his issue to date, apart from the fact that parties have their position; but our Legislature has unanimously endorsed our Resolve. I raise the question with you, again, how do you look at this as a partisan exercise when, in fact, it had the unanimous support of the Legislature?

MR. D. ALEXANDER: Well, again, let's put it this way, it's pretty hard to come on one side or the other of an issue as thorny as this and not lose votes.

HON. S. USKIW: No doubt this issue is a very political issue, and we recognize that, but I just wanted you to know that this one, this exercise, was endorsed by both sides of the Manitoba Legislature.

MR. D. ALEXANDER: I realize that.

HON. S. USKIW: I would like to ask you one other question and that is when was the CPR, or the railway system in Canada, not a political issue in your memory?

MR. D. ALEXANDER: That's one of the problems in this country, we seem to turn every issue into a political

one, rather than getting a fair and proper settlement we tend to get band aid treatments. Band aid treatments tend to make problems worse instead of better.

HON. S. USKIW: Do you believe that because the Government of Canada in the late 1800s politicized the building of a railway from coast-to-coast, that that was harmful to the formation of Canada as we know it today?

MR. D. ALEXANDER: If, as I stated in my brief, that hadn't been done in 1885 we probably wouldn't exist as Canada as we know it today.

HON. S. USKIW: Doesn't that then conclude, in your mind, that it was indeed a necessary political process, in order to put this country together, and that is, the building of the railroad was part of that process.

MR. D. ALEXANDER: It certainly was because it was the only feasible means of transportation at that time across land.

HON. S. USKIW: Right.

MR. D. ALEXANDER: And that, in effect, is why the Crow rates were instituted because it was a monopoly situation which is not the case anymore.

MR. CHAIRMAN: Any further questions for Mr. Alexander?
Mr. Gourlay.

MR. D. GOURLAY: Mr. Alexander, do you feel that this committee could have had some other thrust at attacking this Pepin proposal, rather than the avenue we chose, to come to rural Manitoba?

MR. D. ALEXANDER: Well, again, my big concern is it doesn't matter what you pick up you seem to get a little different story every time, and that is what is making it confusing for everybody. I think it would have been better if the Legislature had unanimously decided to come out with a particular thrust.

MR. CHAIRMAN: Further questions? Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: I want to get back to the motives, I think it is very important when the integrity of this whole exercise is being questioned. Mr. Alexander you had indicated that you feel that, as a result of these meetings, there is more and more confusion. I just want to ask, how knowledgeable are you about the Pepin plan and its proposal to bring in \$175 million of agricultural development initiatives?

MR. D. ALEXANDER: Well, probably not as familiar as I should be, but I am speaking of the Crow rate from my point of view.

HON. J. BUCKLASCHUK: Okay, that's fair enough, but what I wanted to elicit from you was some response as to whether or not you had heard that there was to be this \$175 million package as part the whole revision of the freight rates, as an incentive to develop or diversify the agricultural industry?

MR. D. ALEXANDER: Yes, I realize that was there.

HON. J. BUCKLASCHUK: And would you hope that the greater part of that \$175 million would be spent in Western Canada, who is going to be affected most severely by the changes?

MR. D. ALEXANDER: Well, I would certainly hope so, yes.

HON. J. BUCKLASCHUK: Okay, I think this is where the confusion comes in. I believe that that is the impression that Mr. Pepin would like to have left with us, but I have on a number of occasions pointed to an article in the Canadian Poultryman, a two-page article where 149.4 million of that 175 is identified as going into Quebec. Now, who is creating the confusion?

MR. D. ALEXANDER: That's what I'm saying, and even the feds are guilty of this, as well.

HON. J. BUCKLASCHUK: I'm sorry I missed that.

MR. D. ALEXANDER: I said, even the feds are guilty of creating confusion, as well.

HON. J. BUCKLASCHUK: Would you not think that one of the purposes of the meeting, such as we are having right now, is to hear differing viewpoints and to try to come out with a clear understanding of what the issue is all about?

MR. D. ALEXANDER: Well, you've only heard three briefs so far, and two are on one side and one is on the other side, and they are both very far apart.

HON. J. BUCKLASCHUK: That's true, but we've heard over 50 so far in the last six or seven meetings. Do you not feel that we have a better idea of how farmers feel about the issue?

MR. D. ALEXANDER: No, I think you must have known what the feeling was before you ever started.

MR. CHAIRMAN: Further questions for Mr. Alexander?
Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, Mr. Alexander mentioned that despite the fact that this subject does not concern that many Manitobans - you have held seven hearings, he said - I wonder if he would like to expand on that a bit. I'd just like to know whether you actually believe that it doesn't concern many Manitobans.

MR. D. ALEXANDER: There are many Manitobans that certainly aren't aware of what the Crow rate is, namely, the people in urban centres. Probably the Crow rate has a lot more effect than those people realize. But what I was trying to draw the parallel here was with the Assessment Review Hearings, and all the people of Manitoba were involved in that and there were only four scheduled and there was a fifth one arranged, whereas in this particular one, there were seven arranged to start off with.

HON. J. PLOHMAN: Dealing with this topic though, you said that it does not concern that many Manitobans and that troubled me, because I believe and I think it's commonly held that the farm community and the agricultural sector is very important to our economy and concerns every Manitoban. So I would like to ask you whether you feel that it's not very important or do you feel that it is not going to adversely affect, to a great extent, the agriculture community, rural Manitoba, if producers are paying six times as much for transportation of their grain within the next seven years? Do you feel that is not something that we should be too concerned about, because you've actually said you've endorsed, by and large, the Pepin proposal?

MR. D. ALEXANDER: How do you come up with the figure six times in seven years?

HON. J. PLOHMAN: By 1990, it's largely agreed, Mr. Chairman, that five to six times the Crow is what's in the Pepin proposal, and if it isn't, then members can give their interpretation. That is the interpretation that I've received as to what the Pepin proposal will result in for the farmers of Manitoba by 1990-91.

MR. D. ALEXANDER: Mr. Chairman, that's my precise point, as far as this confusion bit. Certainly we're going to be paying six times or whatever in seven years, but everybody forgets the subsidy which the Federal Government is coming up with, and as a result we'll probably actually be paying only very little more than we are paying now, only the inflationary costs. If governments keep their act together, there won't be any inflationary costs.

HON. J. PLOHMAN: So then you're not too concerned about paying that extra amount by 1990?

MR. D. ALEXANDER: Most of it, Mr. Plohman, is going to be government subsidy to me.

HON. J. PLOHMAN: Most of it, Mr. Chairman, will not be the government subsidies by that time. I just want to get the impression as to how you feel it will affect rural communities, rural Manitoba, and you're saying it will not have a terribly devastating or negative effect on rural Manitoba and that we will, in a sense, benefit. You would agree then with Pepin that we would benefit rather than be hurt by this.

MR. D. ALEXANDER: Well, as I said in my brief, we have people end-running the system now, and you had one presenter who admitted that he was trucking flax to Minneapolis and that's certainly end-running the orderly marketing system.

HON. J. PLOHMAN: Mr. Chairman, the question was not answered but I'll leave it at that. I feel that the presenter is largely agreeing or feeling, and that's contrary to my belief, that this will not negatively affect the rural community and the farming community of Manitoba to any great extent.

MR. D. ALEXANDER: Mr. Plohman, I indicated in my brief that the interest charges and operating costs were

\$6.10 an acre for wheat. Now, that's a figure from the Department of Agriculture; that's for this year. In conversation with my banker, he says that's not high enough, and I'm saying that if we can get rid of the grain quicker, then I won't find it necessary to borrow that money for my operating loan for as long a period and hence cut down on my interest costs. Therefore, I feel it's better to pay the railways for something than the banks for nothing.

HON. J. PLOHMAN: Then you assume and you associate the extra costs that would be incurred by the farmers with better service and you're saying that is synonymous?

MR. D. ALEXANDER: Yes, I think we're going to exchange one for the other.

HON. J. PLOHMAN: And you have faith that will indeed happen?

MR. D. ALEXANDER: Yes, I do.

MR. CHAIRMAN: Further questions?
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, there seems to have been some concern by members opposite about comments on the motives of these hearings versus the Weir Report.

Mr. Alexander, just a brief question. Would it be fair to summarize your concern being that the review of assessment had a taxation, an extra cost implication, on probably 200,000 Manitoba homeowners and 30,000 farmers, hence really affected all Manitobans, whereas the Crow rate per se, as an additional cost, has a potential effect only on some 30,000 farmers?

MR. D. ALEXANDER: That was the gist of what I was trying to put forth in my presentation.

MR. D. ORCHARD: Thank you.

MR. CHAIRMAN: Further questions by members of the committee?

Seeing none, may I ask the committee's leave to ask a couple of questions again?

Mr. Alexander, are you aware that Sections 91 and 92 of The British North America Act, which are now part of the Constitution of this country, delegate responsibility for agricultural matters jointly to the provinces and the Federal Government?

MR. D. ALEXANDER: Yes, but I believe grain transportation is a federal responsibility, is it not?

MR. CHAIRMAN: Agreed. Would you also not agree that having a responsibility for agriculture means that provincial governments would then also have a vested interest in grain transportation matters, since it is part of their joint jurisdiction to be responsible for agriculture?

MR. D. ALEXANDER: I suppose, but then on the other hand, I, as a conservationist, have a grave concern for

the soil base and I see the present quota system, which is being used to ration the shipping space on the railway, as devastating to the soil base.

MR. CHAIRMAN: I wasn't concerned about that particular angle. I appreciate your concern and I share that concern.

MR. D. ALEXANDER: But that's where I'm coming from.

MR. CHAIRMAN: My concern was that this committee, in your opinion, seemed to lack jurisdiction in this matter and that gave me . . .

MR. D. ALEXANDER: Well, it's pretty fuzzy.

MR. CHAIRMAN: My second question relates to the same issue. Would you not consider the holding of public meetings throughout the province as an opportunity for the people of the province not only to make presentations, but to become better informed on this issue?

MR. D. ALEXANDER: I'm certain that the people who are going to go away from here today and I don't think my talk will have swayed anybody or that Bill Spencer's will have swayed anybody either, so how do we come out ahead?

MR. CHAIRMAN: Are there any further questions by members of the committee? Seeing none, Mr. Alexander, thank you very much for your presentation.

MR. D. ALEXANDER: Thank you, Mr. Chairman.

MR. CHAIRMAN: The next person on our list is Mr. Bill Strath, Manitoba Pool Elevators.
Mr. Strath. Please proceed.

MR. B. STRATH: Mr. Chairman, members of the committee. My name is Bill Strath. I am a farmer from the Souris area. I was elected to represent District No. 4 of Manitoba Pool Elevators and I am Vice-President of Manitoba Pool. With me is Mr. Ray Siemans who is a farmer in the Altona area, representing District No. 2 of Manitoba Pool Elevators. Ray is also Chairman of CSP Foods.

We welcome the opportunity to express the views and concerns of the members of Manitoba Pool Elevators on this very important issue. Right from the outset of discussions on the subject of rail transportation, the membership of Manitoba Pool Elevators have been fully involved through our delegate, sub-district, and committee structure. We have worked very hard to keep them informed as events were happening and to ascertain from them as to what our policy should be. We believe that our policy reflects the wishes and concerns of the vast majority of our 20,000 active members. Indeed, we have mounting evidence that many farmers in Manitoba who are not members of Manitoba Pool, share our views.

Just a word at this time, Mr. Chairman, to indicate that our delegate body which met last week is representative of the entire province when it meets.

Our slogan is, wherever you farm in Manitoba, and that's not an idle boast, within reasonable driving distance of every farm you'll find a Pool Elevator, and our delegate body represents the entire province when it meets. It is an elected body, elected from the sub-districts and the local committees, which are formed from the annual meetings of each local within Manitoba Pool and we feel that there is an opportunity for every member of Manitoba Pool to share in the formation of our policy.

We have been accused by some people of having a selfish, corporate interest in preserving an "antiquated" grain gathering and rail system. Those who make that accusation are either dishonest or grossly misinformed. We make no apologies for attempting to protect the grain gathering system which is owned by the farmers who use it and which has undergone drastic rationalization and upgrading during the past 10 years.

I direct your attention to document No. 1 in your kit in which you will see that we have spent some \$49 million on our country facilities during this time - I should say the farmers of Manitoba have spent that \$49 million - and the number of elevators has decreased from 343 in 1972 to 166 today. We are scheduled to lose 10 more if the present rail abandonment orders that are now in place are implemented. Our policy of having a system of efficient, high throughput elevators within reasonable driving distance of the farm gate reinforces our contention, that in dealing with the Western Transportation Initiative we must look at the efficiency of grain movement from the farm gate to point of export, not just the efficiency of the rail system in isolation. Farm trucking costs, road building and maintenance costs as well as the railways' cost must be addressed in the final solution.

The following, Mr. Chairman, are Manitoba Pools' concerns with the Western Transportation Initiative as announced February 1, 1983. As at this point we had hoped to have something more concrete to react to. As I understand it, at this point the legislation has still not been presented to the House.

Our first concern is the method of payment of railway revenue shortfall. We feel that if it's paid to the producer, it's viewed as a production or agricultural subsidy rather than a transportation subsidy, which it is. Other regions of Canada will demand and, indeed, have demanded offsetting subsidies to compensate.

Importing countries will view the payment as a production subsidy, and that has some very serious implications on exports of livestock products into United States. We only have to look at the fiasco and the problem that has developed in the lumber industry to see what can happen if another country decides they want to shut their borders to protect their own industry. They can use any excuse they want.

The method of payment to the producers is complex, costly to administer, and almost impossible to be fair and equitable. We can see it as being a very divisive system. Payments to producers, because it means a higher freight rate up front when the farmer ships his grain, open the doors to possible introduction of variable rates. I'll have more to say about that later. They are very politically vulnerable, if and when, and we fervently hope that the prices for our products will rise to the point where we are once again making an honest and decent living. The rest of the taxpayers in Canada may

look at those payments to producers as unneeded and remove them at that time.

Last but not least, they do not provide for an adequate guarantee of service by the railways. Dr. Gilson in his recommendation realized that a payment to the railways by the government was one form of getting an adequate guarantee of service from them. Our contention is, that if the total payment is made to the railways, you have almost a complete method of getting a guarantee.

Our second concern, the producer's share of rate increase is open-ended and may very well rapidly get beyond his ability to pay. I direct your attention to documents two and three in the kit which refer to grain prices and grain levels as they have been going up over the past years. You will see that they have not gone up at a reasonable and orderly level. In fact, for about 20 years there was hardly any increase at all. During that time, we are told the railway costs were going up at an average of 6 percent a year. If our rates were tied to those same levels, which is projected under this proposal and our grain prices are not going up, then of course our ability to pay those rates will rapidly get beyond our capability of doing that.

The proposal gives everyone but the farmer, protection. The railways are guaranteed a profit and, incidentally, the package guarantees the railway the line variable costs, which includes 20.5 percent return on investment and within four years, they will be getting what is called a 20 percent extra return, called contribution. That is phased in at 5 percent a year for the next four years. The railways will be guaranteed this in the future from now on. So they have no further concerns. They are guaranteed of a return in the future. The government, if you'll project into the future, have less and less responsibility for the transportation of grain and the producer is left open-ended on the proposal.

Our third concern is the volume limit of 31.1 million tonnes on which assistance is given. We feel that this is an extreme disincentive to increase production. There has been some discussion earlier here that summer fallow is costly and very destructive to our soil base. I agree. If this proposal is brought in with the 31.1 million tonnes, we can see, rather than decreasing it will increase summer fallow. The extra tonnage which could be shipped and would be, we think if that 31.1 was removed, is a renewable resource which has many many returns to the taxpayers of Canada through a balance of payments and it would be more than offset by the increased costs.

Because the rate must be a blended rate - that is an average rate over whatever volume is shipped - it requires forecasting the total movement some 15 months in advance of the end of the crop year. As you all realize, that would be an almost impossibility to do. Even before the seed is in the ground, they're going to have to forecast how much grain is going to move in the next shipping year.

Producers will tend to limit their use of the rail system to 31.1 million tonnes. High volume crops will not be grown, or there will be a tendency to grow less of them, so our feed grain production will suffer. There will be some incentive to increase livestock production, possibly beyond what the market can absorb, and that can only be destructive to our livestock industry. We feel that a move to remove that 31.1 million tonnes,

the extra cost for the government would be an investment rather than a cost.

The fourth concern, the proposal does not specifically preclude variable rates. It allows for incentive or discount rates which are available to the railways and may have adverse effects on the volume on branch lines, thus making them candidates for closure. The announcement doesn't particularly deal with this, but in discussions with bureaucrats and officials in Transport Canada afterwards, they felt that there should be some method of incentive or discount rates at mainline points for multi-car loadings or weekend loadings or some other form. We feel that it could have a very adverse effect on adjoining branch lines. It would certainly bleed grain off those lines, especially in the borderline areas between the lines and with the new legislation, some parts of it allow for abandonment of even guaranteed lines providing they can show they're losing money. This has some real concerns for us for the branch line network.

The proposal includes canola, linseed oil and meal but not other specialty crops and we feel that they should be included. There is very little extra cost involved to include them, less than .5 million tonnes of crops that are not now under Crow - and incidentally I don't know how many people realize it - but corn and buckwheat are both statutory crops. The main one that is not included, of course, is sunflowers and we feel that it's very necessary that certainly that one be included and some others as well. If expansion in special crops do occur, and we believe that it will as markets develop for them, that expansion will occur at the expense of Crow grains and will not be a further increase to government subsidies.

Our sixth concern, the proposal indicates that there is a reduction of some \$268 million in the amount required to upgrade those lines now guaranteed in the permanent network. There is an implication here that the lines not on an upgrading schedule are in jeopardy and to my knowledge there are two lines in Manitoba that fit this: one is the Waskada sub and the other is the Rossburn sub. We have some real concerns that someone has their eye on these lines because when you look through the savings that have been projected in the future in some of the material in the Pepin announcement, the projected savings look like those lines are going to be abandoned sometime before the year 2000. As representative of members who have invested money and facilities on those lines, we are very concerned. We are concerned on the behalf of farmers who are going to be required to haul considerably farther to adjoining lines because both of those lines, of course, are on the outside - it's a one-direction haul to the next line - there aren't lines on both sides of them; they're on the outside of the network.

Our seventh concern, the proposal regarding the new grain transportation agency. We feel that there are some officials in Ottawa who would like to lessen the authority and responsibility of the Canadian Wheat Board and gain some control over it themselves. The suggestion is that the new authority would have authority over performance guarantees. They would look at increased efficiency and have some responsibility in car allocation. It is very necessary that the Canadian Wheat Board, which is admitted by every country in the world as

being the most successful marketing agency today, not lose the ability to allocate cars towards sales and we see that many parts of the proposed legislation could lead to the reduction of the ability of the Canadian Wheat Board to sell to the best advantage to the Canadian farmer.

Manitoba Pool has been and will continue to be involved in the discussions and solutions for an improved grain transportation system. We welcome the allocation of some \$3.7 billion in the next four years towards this end and if our concerns, as expressed above, are addressed to our satisfaction, we are prepared to support changes required to get a system in place which can do the job that we require of them.

Now, Mr. Chairman, we have some feeling that the arguments used to justify the proposal have been grossly overstated. There has been a suggestion that within the next few years the western livestock industry will increase by \$1 billion a year. It is our contention that in the past the livestock industry has not suffered because of the Crow, but rather because of the feed-grain policy and of a number of other factors. We don't think that there are great new market opportunities which can look after this increased production without some displacement in other places. If it was a freight-rate question that was causing this concern, why then is the State of Montana, which is very comparable to Saskatchewan and Alberta livestock production, why is it losing numbers just as fast as Saskatchewan and Alberta? It's not in our opinion a freight-rate question that is the problem in the livestock industry.

As far as processing plants, as you well know the flour and rolled oats have moved at the equalized or statutory rate in the past. We have seen the processing of those products move off the prairies. It wasn't because of freight rates that they moved off. There are other factors, like climate, markets, labour availability and a number of other things that are factors in processing on the prairies and to hang all of this on the Crow rate, we think is unfair.

There have been a number of people have raised expectations that if we just solve this freight-rate issue that we'll be able to move our grain off quickly and not have to store it at all, we won't have to pay any interest rates and we'll have tremendous savings.

I don't think we can afford a transportation system that can move every crop off the prairies within a very short time of harvest. It's going to be a matter of moving it off in an orderly manner, an average crop each year in an orderly manner over the year, so that we're always, all of us, going to be required to store some of our crop and pay interest on it. In fact, there are going to be some years when we have bumper crops, that we'll be faced with surpluses. I don't think there is any question of that. We do agree and we have been working, that we have to have an improvement in the grain transportation system. We know there has to be more money available. As I've said, if our concerns are met in the proposal that's been put forward we are prepared to accept some responsibility towards that.

Those are our concerns, Mr. Chairman. I would welcome any questions that you might have.

MR. CHAIRMAN: Thank you very much, Mr. Strath. Questions? Mr. Uskiw.

HON. S. USKIW: Mr. Strath, I want to thank you for presenting a very comprehensive brief to the subject before us. I'm not unfamiliar with that position as it has been discussed for some months.

My first point would be, is there anything in this submission that is different from what your position was a few months ago?

MR. B. STRATH: Not specifically. I don't think so.

HON. S. USKIW: Would you be prepared to explain to us just how your organization is structured, for the benefit of those that are not aware?

MR. B. STRATH: Yes, we have a local association at each elevator point who meet once a year in an annual meeting. Every member is welcome and urged to attend at which a Financial Report of the company is presented, and at which time a local committee is elected from that membership meeting.

The local committee at that point meets on a regular basis throughout the year. They receive information from the Central. They provide minutes which are sent back and circulated to all of the board members, the delegates and the management in head office.

Each local elects, what it calls, subdistrict councillors and within the eight districts of Manitoba Pool, each district has five subdistricts which meets. That subdistrict council meets on a regular basis, provides minutes, has information and there is information flow back and forth. The subdistricts each have two delegates which they elect. As I said before, the delegates meet at the annual meeting to go over the business of the company and accept policy for its members. They also have special meetings throughout the year and incidentally we had a special meeting of our delegates last week to once again review this whole transportation system, and we came up with a new resolution which you may be interested in.

HON. S. USKIW: Are you a farmer yourself?

MR. B. STRATH: Yes.

HON. S. USKIW: Do you perceive this organization as being what would be best described as a grass-roots organization?

MR. B. STRATH: We are certainly structured that way and I would hope that our members look at us that way. We know that there are some who do not go to the meetings and possibly feel that they are not part of it, but the availability is there. We are certainly prepared to listen and put their wishes forward.

HON. S. USKIW: Would it be reasonable to assume that from time to time the management of the company doesn't always follow to the letter of the intent or the policy direction that is given to it by the delegate body that assembled in convention?

MR. B. STRATH: There is a division. The board is responsible for the policy; management is responsible for the viability and the operation of our grain gathering and handling system. The board tries very hard to work

within the policy as set down by the delegates and members of Manitoba Pool. There are times when we have to assume certain directions that aren't popular with some of our members, but it's our mandate, I guess, to follow the policy as set down by the delegates.

HON. S. USKIW: In putting that question to you, I don't want to leave you with the impression that I am critical of it. I know that it does happen in many organizations and I suppose it always will. We cannot always follow to a letter what a delegate body decides what should be the policy. I recognize that delegates are there to express viewpoint and direction, but implementation of course requires a great deal of additional input and study. That's probably where the differences result from, so I don't want to leave the impression that I am critical of that process. I think it is good to know how it works.

Would you view the role of the trucking industry with respect to the shipment of bulk commodities and in this instance, grain, as being complementary to rail or competitive to rail?

MR. B. STRATH: I guess for short distances it would be complementary and possibly for short distances it may be competitive, and in fact it may make sense for short distances. But for the vast bulk of our export grain, there is no competition. We have only one real method of getting our grain from the prairies and that's the rail system.

HON. S. USKIW: What I am trying to derive from you, Mr. Strath, is what would be your opinion as to where we go from here? Should we have a dual system, one competing with the other, or should the trucking industry be maintained as a complementary part of the rail transportation system?

MR. B. STRATH: Well, certainly as the latter.

HON. S. USKIW: You would prefer the last.

MR. B. STRATH: Yes.

HON. S. USKIW: I was hopeful that you would take that position because I have a difficult time finding enough dollars for roads. It certainly concurs with my viewpoint of the bulk commodity movements.

Is it not correct, and perhaps you might want to elaborate beyond this simple impression that I have, that is that the impasse between the Pools, the three prairie Pools, and the Government of Canada is one over a major principle in the Pepin proposal and therefore, if that is the case, how can we even hope that there will be some compromise in that area?

MR. B. STRATH: Well, there is more than one concern, as you well know.

HON. S. USKIW: Well, I appreciate that, but there is one major one which is the method of payment.

MR. B. STRATH: I suppose I still have faith in the democratic system, and it is my contention that eventually the vast majority will overrule those who are in the minority trying to get a point. Both east and

west, we see a vast majority on this particular issue as being united as far as a method of payment, if that's the one you're talking about.

HON. S. USKIW: Yes. Mr. Strath, I tend to want to agree with virtually all of your points. I have very little difficulty with the points that you have raised as a matter of concern. My concern, however, is the fact that if the Government of Canada adopts your proposal, they have actually thrown out their proposal. That's really where we are, aren't we?

MR. B. STRATH: Yes. Although the Transportation Initiative, as such, which is where we started this whole thing, we've been urging them to do something for about four or five years now. We welcome the Transportation Initiative; we just question as to how they're going to allocate the funds. We don't see anything wrong with them adopting our proposal because the Transportation Initiative would still move forward. We still get an improved transportation system.

HON. S. USKIW: So your proposition then is that you want an upgraded transportation system. You feel farmers are prepared to pay more to get one, but you believe that we should have not had thrown into that mix other peripheral issues and interest groups that want to be satisfied as well.

MR. B. STRATH: Well, we feel that they've tried to solve two problems with one answer. We've got the feed grain issue and we've got the transportation issue, and they are trying to solve it all with one package. It's our contention that there are two separate issues and there are two separate answers to those two separate issues.

HON. S. USKIW: You made the point in your remarks earlier that the livestock industry has not suffered due to Crow, but rather due to feed grain policy. Would you elaborate on what you mean by that?

MR. B. STRATH: Certainly in the past because of surpluses from time to time, in fact, the livestock industry in Western Canada has had a benefit with cheap feed grain and it still happens from time to time. I don't think anybody can argue this year that feed grain prices are too high, because we have a problem with a surplus of feed grain. I guess that's one of the reasons that we've got the feed grain policy that we've got today, is because that happened back in the late '70s and we had cheap barley and the eastern feeder became concerned about that and wanted some offsetting benefits, which he got at that time.

HON. S. USKIW: Let me pursue it further then. How do you understand the eastern viewpoint on that issue? Why do they feel they're entitled to be sheltered from competition from Western Canada livestock if the natural advantages of production are in Western Canada? Purely politics, shall I put it that?

MR. B. STRATH: Yes, I think there's a fair amount of that. Certainly Eastern Canada, Quebec specifically, wanted to become self-sufficient in livestock and they're

working very hard toward that through a subsidy system, toploading, which I don't think we can begin to do here. We just haven't got the tax base to do it anymore than they have. Our whole livestock feed grain policy in Canada is in a terrible mess right now because of these provincial systems which have tried to compensate for one from the other and we've got it all mixed in with freight rates here and we're not getting anywhere trying to solve it.

HON. S. USKIW: I'm having a great deal of difficulty in understanding a double standard here. The impression I have, and you may want to enlighten me on it, is that Eastern Canadian farmers want to have a captive market for the maximization of their production in that part of Canada. Isn't that illogical, given the fact that Western Canadian farmers import virtually all of their farm machinery from outside of Western Canada, or a good percentage of it from Ontario, and I suppose Quebec, I'm not familiar with where they're located. What is the logic of not having the agricultural machinery industry on the prairies then if there's logic in self-sufficiency arguments for farm production in the populated areas of Canada?

MR. B. STRATH: Well I'm not too sure whether I'm qualified to answer that question. I suppose manufacturing happens where there is a lot of labour availability, I'm sure climate has something to do with it. We haven't got too many advantages in either one of those areas. I'm not too sure whether I can answer that question, Mr. Uskiw.

HON. S. USKIW: Well, Mr. Strath, where Thompson is located now, we had hinterland undeveloped up until the 1950s but, all of a sudden, we put 20,000 people there to do something with the resource, so it follows, from that example, that we can easily have an implement manufacturing industry on the prairies that would service the prairie needs, and I'm having difficulty understanding the federal policy with respect to agricultural production in Eastern Canada, which is a self-sufficiency philosophy, and not recognizing the other side of the ledger, that it seems logical to build the farm implements that are sold in Western Canada in Western Canada.

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: Mr. Uskiw, I think we were on that a few minutes ago and, in the interest of time, I think we should agree that it is political logic, and I, for the life of me, have always had a lot of difficulty understanding political logic. That's the only term that I could find for it. I think there was a book written on that years ago saying that all you need to understand in Canada is how to count dollars and votes and certainly it must have a lot to do with that.

HON. S. USKIW: All right, I'm going to come back to one of the questions I put to you but it will be my last one for the moment, and that is, given that there is such a major impasse on this issue between the three Pools and the Government of Canada which, in effect, means that to accept your proposition they would have

to back right up and discard what their proposal was intended to be.

What can be done at this stage to enhance the acceptability of your proposal as you see it?

MR. CHAIRMAN: Mr. Strath.

MR. B. STRATH: Actually we have looked at copies of draft legislation and tried to decide where it could be changed to suit us and if you remove some parts and change some wording it's still possible - it would be much easier to start over - but it would still be possible to take their proposal and amend it so that it could be acceptable. It would require major amendments but it's still possible to amend it.

HON. S. USKIW: I appreciate that it's always possible until it becomes law, and even possible after it becomes law. Laws are always amended, eliminated and added to and so on, but to do what you want to do you have to throw away Dr. Gilson. Is that not correct?

MR. B. STRATH: Of course we're past Dr. Gilson now; we're dealing with Mr. Pepin's proposal and he went even beyond Dr. Gilson.

HON. S. USKIW: Okay, that's fine.

MR. CHAIRMAN: Mr. Siemans, did you want to comment on that?
Mr. Adam.

HON. A. ADAM: Thank you. Mr. Strath, you have been negotiating now for quite a few months, several months, in fact, with the federal people on the Pepin proposal; and looking at your brief there appears to be a large number of major issues still unresolved as far as the Pool is concerned. At what point in time, and we're getting down to the wire, because I think Mr. Pepin said if he can't get it through by June he's not going to be able to proceed with it. At what point in time is the Pool going to say, "Well we've lost the battle and we have to take a stand on whether this package is acceptable the way it is," the way they want to give it to you.

MR. B. STRATH: Well certainly at this point we don't see that happening. We cannot accept the proposal as it's presented because it doesn't meet our concerns and we'll continue to express those concerns until we get changes. If the legislation goes through, as presented, we'll continue to put those concerns forward in an attempt to get the legislation changed. We feel that they're very basic concerns of our members and we're going to continue to put those concerns forward.

HON. A. ADAM: Yes. Are you saying then, Mr. Strath, that you're going to wait to see the draft bill before rejecting the proposal as it is now?

MR. B. STRATH: Well we've been very active, as you know. In the past while we've had a lobby in Ottawa working very hard to acquaint members of Parliament and others, senior bureaucrats and others, with our concerns and we felt that that has been a very fruitful

exercise because there is a great deal of misunderstanding and ignorance, if you like, by a lot of people down there on just exactly what the impact of the Pepin proposal will be to Western Canada. As I said, it's been grossly oversold in many areas and the information that we've been able to get across, I think, has had a wide impact and we're looking forward to having some fruits from that. We have some reason to believe that there may be, because of our raising these concerns, there may be some action in that area.

HON. A. ADAM: Yes, but there's still a very substantial number of issues here that have to be resolved. Are there any here in this package, issues that you have in your brief that are non-negotiable, particularly the one about payments to the railway, is that non-negotiable?

MR. B. STRATH: We want all these concerns addressed before we can accept the movement towards the changing of the rate.

HON. A. ADAM: In other words if they do not amend their package to satisfy all these conditions that you have laid out in your proposal, you would prefer to stay with the present system until such a time as you can get the package that you desire? Is that the position of the Pool now or not?

MR. B. STRATH: I didn't say that. I said that we would continue to raise those concerns and try and get that changed, even though legislation was brought forward, we would continue to try and get the changes in it that we saw as necessary. We would continue with that exercise.

HON. A. ADAM: I guess a feeling I'm getting is that if they do not address your concerns you're still going to continue negotiating and you're not going to back off your position of negotiations?

MR. B. STRATH: Well, I think we're faced with the fact that the government has indicated they're going to bring legislation forward and I guess we move on that premise, that we have to continue to be involved. We're not going to go home and say we won't talk anymore, if that's what you're asking because we feel that they're going to bring something forward and we have to be there to react to it.

HON. A. ADAM: I know the major point is the one of the limit, the cap on the 31.1 million tonnes under the subsidy. I presume, the 31 million tonnes would include the other cereal grains, oil seeds and meal as well so that would also reduce the number of cereal grains. You are aware, of course, that the Federal Government is asking us to provide them information on the acreages.

MR. B. STRATH: Yes, I'd heard that.

HON. A. ADAM: Thank you.

MR. CHAIRMAN: Further questions, Mr. Manness.

MR. C. MANNES: Thank you, Mr. Chairman, I'd like to ask the representatives of Manitoba Pool, first of

all, a further explanation of the consolidation figures that you brought forward, I'm glad you did. On your first page, you say there were 343 Manitoba Pool elevator points in '72 and there are 166 today. I'm glad you brought that forward because I think there are some members of this committee that do not realize that, indeed, consolidation has gone on in spite of the fact we've had the Crow for a number of years. Do you see this major consolidation continuing whether we have Crow change or not, and within the next decade beyond 1983?

MR. B. STRATH: There is going to be a continuation of rationalization program. Probably not as quickly as has happened because a lot of this happened through rail abandonment, a number of them happened through abandonment. A number happened because small handles just aren't viable and we have to become as efficient as possible in order to keep our costs down.

Our policy as set by members is that we want to have an elevator within reasonable driving distance of the farms in Manitoba and we say that should be no more than an average of 15 to 20 miles and we've got a system in place now in most areas of Manitoba, that covers that. There is going to be some further rationalization but certainly not at the rate that's happened in the past 10 years.

MR. C. MANNES: Thank you, Mr. Strath for quantifying the reasonable driving distance. I'd like to move to Page 2 of your brief and ask a series of questions if I can to attempt to gain a deeper understanding of your position. Do you accept at all the distortion argument, that argument that is used and discussed at great length by livestock interests?

MR. B. STRATH: Well, as I said before, I don't think the Crow in the past was a hindrance to the livestock production on the prairies. If things continued and compensatory rates were going up and the Crow remained as it is and that difference became wider and wider, then there would have been certainly a disincentive to livestock production in the prairies.

If our concerns are met and we see the farmers accepting a share and if it stays at something like an historical relationship to a price of grain that has been in the past, then that distortion should not be there. If the price that the farmer pays for freight is at an historical percentage to the price of his grain, if it wasn't a distortion in the past it shouldn't be in the future. It certainly would be if the price that he paid for freight stayed down at the same level as it is now and the actual compensatory rate was to continue to climb, as has been projected it will at 6 or 7 percent a year.

MR. C. MANNES: Well, then just to recap that particular point, what you're saying is up to this point in time Manitoba Pool is of the belief that the Crow rate in itself has not been responsible for the fact that our livestock base has not grown as quickly as we might like, No. 1; or secondly, in the view of others has actually fallen.

MR. B. STRATH: If it is a factor it's a very very small factor. There are a number of others that have much

more influence. In fact, as I said, there are a number of years - and we expect this one to be one of them - when there is no disincentive for feed costs in Western Canada. I don't think any livestock producer in Western Canada today can point to the Crow rate and say that's creating a high feed cost for me because that's just not a fact this year.

MR. C. MANNES: Well, moving into the method of payment, gentlemen, I'm wondering if you can tell me whether Manitoba Pool is specifically against the method of payment, or because it creates a dilution effect, or do they not buy the distortion argument? I'm curious as to which reason is it that your organization is against the method of payment, that's Pepin's proposal?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: Of course, part of it's in the wording here are like some of our reasons. But I think one of the best reasons why anybody with any common, political or business sense should be opposed to it, is that it's one hell of a way to deal with trying to get leverage with the railways. How do you spread it among whatever number of thousands of farmers there are in Western Canada and say, that now these farmers are going to get a better deal from the railways because they are in a stronger position? You know we have enough difficulty as it is in farm organizations to get our act together on a major issue like we have in front of us here today.

I think one of the very valid reasons for opposing acreage payments is because it doesn't make any business logic. Now it may make some political logic for somebody out east, I'm not sure, then of course is the purely political one, that it could be changed. As Mr. Strath indicated, we get into years where we get the kind of return for the grains that we should be as farmers. Then, of course, you can expect to see even the Winnipeg Free Press running stories, front page, saying what a certain farmer in southern Manitoba received as an acreage payment of \$30,000, \$40,000 or whatever it may be. So that then becomes a very much of a political issue in the true sense. Even if the idea made sense, because of distortion from the livestock point of view or not, it would be a very dangerous kind of a thing to accept. I think those are very valid reasons, without going into any of the other, why that method of payment doesn't make sense, from a simply business point of view, if we hope for anybody to have leverage with the railways, that must remain with one source of power and certainly should then stay with the source that is paying it out for the taxpayers of Canada.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Moving on to your third reason why you do not support the proposed payment proposal, you say import countries will view the payment as a production subsidy. What do they view presently during any GATT negotiations; what do other countries view presently the existing Crow subsidy?

MR. CHAIRMAN: Mr. Strath.

MR. B. STRATH: Well, to my knowledge, I don't think the transportation issue has surfaced in GATT negotiations. Certainly they look from time-to-time at our lack of production controls. They do not accept the quotas as being a type of production control, if you like. That is sometimes raised; certainly the Americans are concerned about when they have the PIK Program, for instance; they're concerned that we're not having some sort of production controls here to help out in the surplus situation. They don't always accept that quotas can get the same benefit or the same result in the end. To my knowledge the Crow rate has never been raised as a subsidy.

Certainly other countries have subsidies; Argentina subsidizes the total movement of grain to export; the Americans heavily subsidize the barge systems through the Mississippi system; the Seaway itself is subsidized. We're not unique in asking for a transportation subsidy to be paid to a company that provides the transportation.

MR. C. MANNES: Well then what you're saying is that importing countries, they do view a production subsidy in a different light than a transportation subsidy?

MR. B. STRATH: That has been our observation.

MR. C. MANNES: Moving on to the next reason, you feel that the proposed method of payment, by the acreage basis, would be pretty complex. I had the first opportunity to view it, I suppose, in the brief that was given to us by the Manitoba Farm Bureau. Have you critiqued it at all, do you have any comments for the record as to the payments?

MR. B. STRATH: We haven't had an opportunity to see it. We weren't part of that committee because we didn't believe in it. We haven't been given access to the suggestion as to how it's been done. We have no idea - we've heard rumours - but we have no idea just as to how they expect to put it out.

MR. C. MANNES: So you're against it then totally on a basis of concept?

MR. B. STRATH: Well, frankly, we've had some pretty good minds sitting down and looking at it, and we can't see how they can logically put it out so that it can be fair and equitable. You can look at crop insurance figures or productivity figures as far as soil base is concerned, but that doesn't compensate that one producer could be more productive than another. There can be some inequities come out of this thing that can be very divisive between neighbours. It could be most unfair.

MR. C. MANNES: I share some of those concerns with you, Mr. Strath. Moving on to the next reason, you say that another concern, as to the method of payment, we'd open the door to possible introduction of variable rates. Can you explain to us how that potentially may occur, given a different form of payment other than the one that you would like to see?

MR. B. STRATH: Well, of course, if you accept the government's proposal that in three years the railway

revenue shortfall, or whatever the government input of dollars, will be split 50-50 between the railways and producers. That, of course, implies that the producer will be paying quite a bit more up front when he delivers his grain. On Document No. 3, on the second page, we've projected using government figures of 8 percent cost increase this year, 7 next, and 6 thereafter, just what the possible freight rates would be projected onto the year 2000. You'll see that the amount paid at the elevator goes from \$12.71 next year to the year 2000, \$67.67. That's the amount paid at the elevator.

Now the producer receives back from the government, over those years, from 7.23 next year and it goes up for the first three years because of the Ag Adjustment Fund and then recedes per tonne, because of the increased production, to 6.59 a tonne. The net at the elevator increases considerably. It gives the railways more leeway to bring in discount rates if they want to entice grain into a certain point or away from a branch line, for instance.

We're not against efficiency of operation of the railways. If they can operate cheaper at a bigger point and have savings, then those savings should be averaged over the system and be of a benefit to all producers, not just the one delivering to that point.

MR. C. MANNES: Is that why Manitoba Pool then takes that same stance, even though when they applied for their own elevation tariffs, because you have the opportunity now to set different elevation charges in different locations. I take it that you choose not to do that; you have a flat rate across all your points

MR. CHAIRMAN: Mr. Manness, could I ask Mr. Strath to repeat his answer rather than just nodding so we have it for the transcript.

MR. B. STRATH: Yes, our elevation charge is the same whether our elevator is at The Pas or is a large point handling 2 million bushels, like Deloraine, they're the same all over the province.

MR. C. MANNES: Mr. Chairman, the final point under No. 1, what the final reason is that you feel that the initiative does not provide for adequate guarantee of service by the railways. The railways have indicated to us, and maybe not the whole committee, but certainly to individuals on the committee, that they feel that there's a fairly good procedure for guaranteeing service. Indeed, that up to 40 percent of the contribution of the additional 20 percent is contingent upon performance. That can be defined in terms of upwards of \$50 million which can be withheld from them.

First of all, I don't know whether you accept the \$50 million figure, but if you do, do you not feel that in itself can exert some pressure to guarantee the necessary service?

MR. B. STRATH: I guess we have some concern that \$40 million or \$50 million, whatever it will be at that point, will be not a very large part of the total rail revenue from grain. If the government are putting up their share, as a payment to the railways, and only put it up on performance, we feel that gives them much more leverage, if you like, with the railways to get a

guarantee of service. They're much more likely to put a little more effort in it if they know that they're going to get paid right away than if the government would say, well, you don't get paid for two months down the road unless you provide that service.

MR. C. MANNES: Well, thank you, Mr. Strath, for that comment because I was trying to determine in my own mind how one defined guarantee and the various perspectives on that. Moving to your second point, where you're concerned of course about the open-endedness that producers may be faced with. I ask you whether, as an organization, you've had an opportunity to consider the safety net approach that is being discussed more and more, and whether indeed if you have it's the same one as has been offered to the public by the Manitoba Farm Bureau.

MR. R. SIEMANS: I'm wondering whether it would be useful to read a resolution that our delegates passed at last week's meeting in Brandon which was a change more in terms of being more specific just in one area in our resolution. Up to last Thursday, our policy position, the point dealing with paying more, had a word something like "some"; the delegate said we're prepared to look at paying "some" more. It became a little more specific in the discussions last Thursday and the resolution goes like this:

Be it resolved that Manitoba Pool Elevators Board of Directors continue to negotiate changes in the Pepin plan proposal for western transportation to accommodate the concerns of producer members and that the Manitoba Pool Elevators Transportation Policy be amended to include support for the concept of a ceiling of the farmers' share of future rate costs by tying the freight cost to not more than historic percentage of the farm gate price of grain.

MR. CHAIRMAN: Thank you, Mr. Manness.

MR. C. MANNES: Thank you, Mr. Siemans, for reading that to me. Did you, as a group - and I'm not asking you to give us anything you would rather hold for negotiation at other meetings - in your own mind determine the historic percentage of farm gate price?

MR. B. STRATH: Well, we've looked over a number of figures and, if you take the period from 1940 to 1979, that's 7 percent. The freight during that period was an average of 7 percent of the average weighted price of the three major grains.

MR. C. MANNES: Thank you, Mr. Chairman, I find that very encouraging because as you're probably well aware the Farm Bureau is at some 8 percent. One percent may or may not be a major difference. It appears though that from what you tell me that you used, as the base of your analysis, the rationale was quite similar to the methods that you used to bring forward your percentages. I'm wondering if you could, and I'm making reference to your Addendum No. 3, when you present to us all the inflationary aspects and also taking into account the resolution which you just read, how do you, as an organization, rationalize your own elevation costs into this whole argument? Because

if indeed the Crow rate increases some five times and certainly the major reason for that five times increase, should it come in 1990, and there's no guarantee - it would be the forces of inflation - how do you look at your own elevation charges that will probably increase by a similar fold in that time span? How do you consider them in light then of the Crow increase?

MR. B. STRATH: Our elevation charges in the past appear to have increased markedly in the last 10 years, but there have been a number of additional charges put in there that either weren't there before or were transferred from another source to be deducted from the grain when it was put in, for instance, the Grain Commission charges for weighing inspection, cleaning charges. There's been a number of additional charges to just simply country elevation instituted in the last while. Actually our percentage increase in elevation charges have not kept pace with the actual inflation. We've had to become much more efficient in order to maintain our system.

In fact, one of the reasons that rationalization has taken place, we just do not pass on those costs at will. In fact, we're in the six and five, and certainly our costs have gone up more than 6 percent this last year, and we attempt to maintain the lid on elevation charges. Certainly, as you well know, if we make money it's returned to the patrons as a patrons' dividend anyway. To maintain a system that they indicate they want, there are certain charges required. Either that or you're not in business, so that's the only way we can justify increasing charges, but we do attempt to keep them certainly below what the ordinary cost of inflation is by becoming more efficient.

MR. C. MANNES: Well, Mr. Strath, I'm certainly not asking you to justify Pools' levies or elevation charges. I know that the organization has to work; I'm a member and I'm a supporter. I guess I'm trying in my own mind to balance it out. I should tell you that I loaded a producer car right this morning and the main reason I did that was because it represented some \$700 saving in elevation. I'm wondering if the increased grain prices don't come like they have to, 80 cent elevation seven years from now and, let's say, 60 cents elevation, has the same impact upon those very few dollar revenues as indeed an increase in Crow, or do you find something in my argument you'd like to rebut?

MR. B. STRATH: I guess we're not arguing that railway costs are going to go up. It's very obvious that they're users of fuel and labour and so on. Certainly their costs are going to go up and they'll continue to go up. I guess where we justify or try to justify the fact that we feel that there should be some responsibility from the rest of the population of Canada to get assistance to move our product to export is the return that it brings to the country in return for the tariffs we pay for eastern manufactured products and so on. We feel it's a fair trade-off. Now, the handling of grain in the most efficient manner, and I happen to believe that if everybody went back to producer cars that the whole system would break down. It just couldn't work. A few people may get a temporary advantage by loading a producer car, but if everybody tried it it couldn't work. There would

be complete disaster as far as moving our product off the prairies, so we need the gathering system that we've got. There are going to have to be so many dollars in that system one way or another. I guess the user, in this case, will have to pay it.

MR. R. SIEMANS: In addition to that, we shouldn't forget the percentage of business that the railways are dependent as far as grain goes, we're talking 17 percent. The railways really don't have much of a threat of losing any business, do they? You and other farmers are a threat to the elevator system. You can be taking away from it by shipping producer cars and I'm not critical of it, but that can be taken away. I am just simply trying to make the point that the elevator system is completely captive of the farmer, there isn't anything else. You know we get into farm supplies, and I won't comment on that one, but we get into some other areas of business, but as far as that elevation charge, we are captive of the grain trade, the amount that the farmer produces and can ship. The railways are only dependent, to a relatively small percentage, on grain. I suppose we wouldn't even have that much difficulty in making a case that would be built somewhat on some kind of social justice. I mean, when you have a couple of hundred thousand farmers all across Western Canada, farming versus you have concentrated areas of production of mining or wood. That you can make a case on that when you start off with the Crow Act.

MR. C. MANNES: Thank you, Mr. Chairman. I will end my questions here. I have been lengthy because I have had these questions stored up for over now some seven meetings and I thank you for your indulgence.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman, a couple of questions. Mr. Strath, Point (1) of your brief, you've indicated concern on two areas; Point (1) and Point (3) regarding the payment to producers viewed as an agricultural subsidy, rather than a transportation subsidy in that basically importing countries might review that as a production subsidy and hence bring down the wrath of GATT negotiations, or whatever international form.

Now that we're in the process of resolving this and the \$651 million is on the table as an identifiable figure, instead of a conglomeration of branch line, hopper cars, rehab of boxcars, all the different numbers of not easily identified subsidization to the transportation system, will not this have the same effect, regardless of whether the railroads get the money or the producer gets the money, but importing companies may well view this as a direct subsidy subject to discussion around the GATT table.

MR. CHAIRMAN: Mr. Strath.

MR. B. STRATH: I suppose if a country wants to justify something, they could use almost any excuse. But it is certainly not as easily identifiable as an agricultural subsidy or a subsidy to producers, if it's paid to a railroad company that's providing the service. Certainly,

we know that the ferry system, for instance, is heavily subsidized. I don't pay the full price of the ticket and I don't get a payment back from the government as a subsidy. The airlines I think is the same, Via Rail. The subsidy is paid to whoever is providing the service and we fail to see why, in this instance, they are looking at trying to do something different.

MR. D. ORCHARD: One other point on concern No. 1. As proposed, indeed there is some complexity to the calculation which may enable payment to the farmers. One of the concerns you voiced was that it possibly won't reflect adequately the better producer, pot it that way for lack of better terminology, the man that's pushing is production. I guess maybe we might agree to disagree on that one and then I'll pose you this question. Under the present system, anyone who is pushing their production under a continuous cropping basis in this region or any region of Manitoba that's continuing cropping, and they have got their yields well up, in order to take advantage of the quota system on wheat for instance, they are probably shipping all of their oilseeds, possibly non-board, and trucking them to Minneapolis or piggybacking to the Lakehead. Hence they're already taking a discount on their value of production to reflect that. Would you basically agree or disagree with that?

MR. B. STRATH: I suppose under a transportation system that was not quite adequate, that is certainly true. What we are hoping for and, indeed, we've been lead to believe that this will happen with adequate compensation to the railways, that they will be prepared to haul our product and there won't be the requirement to have a ceiling on quotas. Quotas will still be there but it was hopefully just to bring in grain in an orderly manner. At the end of the year, everything else being equal, an average crop should move off and not have surpluses left. As I said at the outset, when we get bumper crops I don't think we can expect to move everything off. On an average year, with an adequate transportation system in place to move the whole crop, quota shouldn't be a factor.

MR. D. ORCHARD: Well I am certainly glad you made that point, Mr. Strath, because that is one of the major points that are being made by farmers that I talk to who are open to change. If the system operated more efficiently, as you indicated it should do under the revised rates, that we wouldn't have to resort to off-board trucking of flax to Minneapolis or piggybacking of rapeseed down to Ontario. Let me just think now, I've got a couple more.

I want to kind of touch a very interesting subject here and I may get myself into some hot water with my colleagues over here, but basically, Mr. Strath, is my understanding correct that the freight rate structure that's being proposed is based on a single car freight rate for grain?

MR. B. STRATH: To my understanding, yes.

MR. D. ORCHARD: There is a lot of concern and a lot of discussion that you've had, and a lot of people have had, about variable or incentive rates coming into

the system. Given that the payment to the railroads is an averaged single car rate, can you conceive of any method of operating within the Pool structure on the branch lines even, which would enable the railroads to operate, pick up that grain more efficiently, and hence operate at less than the single car rate?

MR. B. STRATH: I suppose from standing back and looking at the railroad operation, we can see lots of things where they can get efficiencies in even the present system that we've got. I think they operate under some difficulties through their own contracts with unions and so on that create some difficulties for them, mileage limits and hour limits and so on that create difficulties for them. Certainly there are improvements to be made and we're not suggesting that we're against a more efficient type of rail system. What we're saying is that those efficiencies shouldn't just be at certain points, that they should be averaged over the system; in the railway costing review that those costs are taken into consideration and it is reflected over the whole system.

MR. D. ORCHARD: Good that's excellent; I am pleased to hear that. Mr. Strath my last question to you would be this. Are we now today discussing with Manitoba Pool who have really bounced this issue amongst their membership probably as much or more than any other farm organization? Are we now here today discussing not, whether in fact there should be no change versus change, but in fact the fine tuning of the method of change and are we to the position where the majority of your membership are willing to pay more to move grain?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: Yes, I don't think there is any question about that. The discussion on that part of it has gone on long enough for a lot of our member. There's great concern about how the change is made, the method of payment and so on.

MR. CHAIRMAN: Mr. Strath.

MR. B. STRATH: I might add that I have been to some 15 country meetings in the last three weeks I guess. I've spoken to over 1,000 farmers. The vast majority are still very supportive of what we're doing. There are exceptions of course. There are very strongly held views on this topic as you well know.

What we do see happening though is that there are some people who are very supportive of change before who are beginning to have some concerns that if the government doesn't bring forth some changes to react to our concerns, that they become less supportive of change. There is a danger here that we may lose some of this support.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: A couple of questions for Mr. Siemans and thank you, Mr. Strath.

Mr. Siemans, would payments to the producers help or hinder the CSP crushing industry in the prairies?

MR. R. SIEMANS: I don't really enjoy being candid on this one. The crushing operation itself, it wouldn't be that much of a factor purely from the crushing operation point of view.

I mean, because what the crushing industry in total, as a crushers group in Western Manitoba has asked for, is equitable grades, whatever is equitable and we really have not, as an association, entered into this whole area of acreage payments versus not acreage payments and so on. We have consistently for the last - I think it's 13 years - since the CTC hearings said that we wanted equitable rates and haven't been able to keep our group together even though we have varied a few points on them. There's some Alberta crushers as well as I'm sure you're aware of.

MR. D. ORCHARD: Now, the effect of producer payments is neutral, if I may, with the crushing industry itself as an industry. Would that be the same case for the producers that are delivering to those crushing plants? Would they be neutral or would they have a benefit or a disadvantage to producer payments?

MR. R. SIEMANS: I'll put it this way, I don't see how they would have a disadvantage through a system such as we've outlined by way of that resolution through not getting the acreage payments. I mean, it's a much broader question than that.

MR. D. ORCHARD: Thank you, Mr. Siemans. The sunflower industry is not included with flax and linseed. Definitely you want that one included?

MR. R. SIEMANS: Yes. Mr. Chairman, there'll be a brief presented particularly on the sunflower by the vice-chairman of our advisory committee at Altona - the one that was submitted to Mr. Pepin - and that will be presented later on today which deals with that much better and why go over it twice.

MR. CHAIRMAN: I was about to advise Mr. Orchard that No. 7 on my list is Mr. Jack Penner, Vice President CSP Advisory Committee.

Further questions. Mr. Orchard?

MR. D. ORCHARD: No.

MR. CHAIRMAN: Mr. Downey?

MR. J. DOWNEY: Mr. Chairman, I have one area that I wanted to just get a little bit of background on.

Would I be correct in assuming that 10 years ago Manitoba Pool Elevators would . . . that 100 percent of their grains approximately would be statutory grain shipped off out of Manitoba? Would that be your assumption, or the majority of grains? If there's not a percentage known, could you give me one or if you had any idea?

MR. B. STRATH: I guess I would have to say yes, certainly the vast majority of it is statutory grains.

MR. J. DOWNEY: Could you give me a comparative figure today for example of what commodities handled by — (Interjection) —

MR. B. STRATH: Compared to special crops, you mean, like that are moving — (Interjection)—

MR. J. DOWNEY: That's right, of the total handle of Manitoba Pool and CSP, the whole Manitoba production. What would now be statutory and non-statutory? What would be the breakdown?

MR. B. STRATH: I would suspect that well over 90 percent is still statutory grains. As you know corn was statutory to Thunder Bay and it wasn't previous. At the present time it's statutory to Thunder Bay. Buckwheat has always been statutory, so those are two that are statutory grains that are considered special crops. I guess sunflowers are the big exception.

MR. J. DOWNEY: How many elevators or points would it take to handle the amount of oil seed that is crushed, say at Harrowby for example? How many elevators would it take if it was assembled in one point to ship out? Could one elevator remove that same amount of commodity?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: We expect to be crushing about 260,000 tonnes in Manitoba in the coming year. About 15,000 tonnes is handled in the average elevator, so you divide that into the 260,000 tonnes.

MR. B. STRATH: Deloraine, last year, Jim, handled about 50,000 tonnes. That was one of our top elevators.

MR. J. DOWNEY: So really what I'm trying to compare is not setting the meat industry aside, is to try and point out or try and get an idea if we were to use the crushing mechanism in a way of processing our rapeseed rather than the straight shipping of it, would I be correct that probably 10 points would chip the same amount of rapeseed that is now crushed in your crushing facilities in Manitoba?

MR. R. SIEMANS: Yes. I think if I could just add something to this. I think the reason that you have the trucking that does go on to the crushing plant hasn't got so much to do with the freight rate - you know the rail versus the trucking cost - it has more to do with the handling charge that any elevator whether it's even the parent company puts onto it, so that when you look at the whole program of how you'll get canola produced it makes sense to contract it, to pay a freight allowance which is what our company does, and not pay the up-charge on the handling and program it in that way directly from the farmer, rather than through an elevator system.

MR. J. DOWNEY: So really then I would be correct in assuming, Mr. Chairman, that with the processing of particularly canola or rapeseed and the sunflowers, and the jobs and the work opportunities that are now created in the crushing industry in Manitoba, far out-exceed the employment opportunities and the kind of activity that has traditionally taken place by just shipping the raw commodity. In fact there is a pretty major reason if I may assume this - you can correct me if I'm wrong

- assume that we should as we saw the change take place there rather than in the long term, put a statute in place, it would be inflexible and unchangeable, one that could in fact change and be up for review.

MR. R. SIEMANS: Well if again the MPE resolution versus the Pepin plan, if you take the MPE resolution, and by the way we're not proposing that the process products pay the percentage of the historical value, we were careful and that was covered in the discussion in Brandon. The railways have been trying to work that angle for years where they, because on certain other process products, they set the freight rate according to the value of the product. Now we would want that to tie in with the raw product. If it's 7 percent, then it not be above 7 percent. But if you followed that policy if Mr. Pepin were willing to accept that, then you would have the automatic review. Your experiences would be your review annually.

MR. J. DOWNEY: That, Mr. Chairman, is one of the concerns that I have when we've had the earlier brief today, that if there had been a willingness to review or update or make some changes prior to us getting in the real situation we're in with the transportation system.

On that same line of debate, maybe you could explain it just a little more clearly. One of the reasons that the Pool Elevators are not wanting the producers to receive the funds directly is the concern and the lack of ability to protect themselves politically, I guess, is what I'm reading out of pretty well all of the first point. We now have a statute in Canada; we've seen it become a very contentious issue and in fact almost to the point where all of the farm organizations who have traditionally seen eye to eye have gone somewhat different directions on the process. With it being in statute and with it being out of the hands of farmers we're still now discussing it, and it's up on the table for change. So what kind of protection do you see the railways or the system being in, through the legislative process, by giving it to the railroads rather than the farmers? Because the argument that you're using, that it's going straight to the railroads, takes it out of the area of being able to be changed which we're now discussing. It's somewhat contradictory. I'm missing the point I guess because I think you're going to see change or maybe you disagree with me. The question is, do you not foresee change coming even though the subsidy was paid directly to the railroad in view of the fact we're now discussing it when it's in statute, and in the past five years funds have gone direct to the railroad? What stops it from being discussed politically by politicians and changed in statute by being paid directly to the railroads, if change is necessary?

MR. B. STRATH: I guess our concern in this area, the railways really don't care. They're going to get their money; it doesn't matter what happens to the government subsidy, whether it goes to the farmer or it goes to the railway, they're going to get their money. The only way they get their money if it goes to the farmer is through the farmer. We feel that if that subsidy is paid to the farmer that sometime in the future, if as you said things get good, that it could be pretty iffy whether we keep it or not. Statutes can be changed,

we know that, but if it's paid to the railways as part of their compensation package, then they can't afford to operate without it. We don't think that the government can allow them to not move our grain because of the returns, so that it's much more dependable or sure that subsidy will stay in place if it's paid to the railways than if it's paid to the farmers. Because if it's paid to the farmers and then through them to the railways, the railways know they're going to get their money.

MR. J. DOWNEY: Would you not agree, Mr. Strath, that whether it's in statute, whether it's paid directly to the railroads, or whether it's directly paid to the farmers, if it is not doing the job, then it will have to be done with and the politicians will have to deal with it?

MR. B. STRATH: Certainly, if it's not doing the job, something will have to be done about it - no question.

MR. J. DOWNEY: Mr. Chairman, this is a little more of a - it may be out of order and it may not be, I'll leave it for you to judge. I think, Mr. Strath, you indicated that there were two particular lines that were up for abandonment that were assured, I think, to the year 2000, one of those lines being the Waskada subdivision which I twiggled to. I am very concerned that a year ago the Federal Minister of Transport assured us that line was going to be kept until the year 2000. Manitoba Pool Elevators invested, I know, in two points in good faith and the producers along that line are expecting it to stay. Is there now a chance that line will be removed, the Waskada subdivision, before the year 2000?

MR. B. STRATH: It is not as yet on the upgrading schedule of the CPR. As you know, they have a five-year upgrading program; it is not as yet on that upgrading program. Beyond that point, there is not enough money being put forward by the government to do any further upgrading at this point. They said that there would be a review in 1985-86 of this amount. That may mean they put more forward; it may mean they withdraw some, we don't know. But when we look at the projected savings though rail abandonment, there are going to be some railways abandoned that are now in a permanent network, and I guess if it's not on the upgrading schedule at this point it may not quite make it. I guess we've got some real concerns and I think some of your constituents share those same concerns.

MR. J. DOWNEY: Thank you, Mr. Chairman. I have now, too.

MR. CHAIRMAN: Mr. Plozman.

HON. J. PLOZMAN: Mr. Chairman, I just wanted to ask a follow-up on what Mr. Adam was discussing earlier and that is with regard to negotiations. You are negotiating now, I would say, and I guess you've been negotiating for some time. It's an admirable position to take and I think it implies some give and some take, that you have something to give up and something to gain when you're negotiating. But you're getting to the point now where you still have a number of points that are outstanding, and I'm wondering whether you feel

that you have something else to give in order to get something else, which are these points that you've put in here.

MR. CHAIRMAN: Mr. Strath.

MR. B. STRATH: I guess in this whole exercise we felt that giving up an assured rate, which is what we were asked to do, was about enough to give up. We wanted something in return and these assurances that we've asked for is what we want in return. In return for that, the railways are given an assured rate. We've transferred the Crow from the farmers to the railways, really, and the government. In return for that we want some assurances that these rates will not get beyond our ability to pay them and that they will have some other benefits as well throughout our proposal. They've been well thought out and well discussed; we don't feel we can move very far off them.

HON. J. PLOHMAN: Yes, well, I appreciate that and I just wonder though what levers you think you still have, what levers you have to get some more change. You've been talking - and that's what I said at the beginning - for some time. Are negotiations going on right now, can I ask that? Are you at the bargaining table right now talking with Pepin?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: Yes, as Mr. Strath indicated earlier, a number of our people and elected people in the Pools have been spending a lot of their time in the last five, six weeks in Ottawa. We have an office that we work from and have, whenever Parliament is in Session, people there from every one of the organizations, and I guess lobbying is negotiations, part of the negotiations. I think it's being made very clear to the different parties; there's been meetings with caucuses of the different parties - at least the ones that have time - for other reasons than this particular issue. But these people have been meeting and I would view that as really negotiating, wherever possible, have also been trying to meet with the Ministers or Ministers' Assistants. The Saskatchewan Wheat Pool, as I'm certain all of you know, had a whole plane load, a charter plane, last week and met with a number of key Ministers, then had a luncheon where the MP's were invited to.

The reports of their discussions and the points they were making was very positive so that, you know, it's a little dangerous I think for either one of us to go too far publicly in terms of doing an assessment of where we think we're at in Ottawa. But speaking for myself of what I've heard, and I haven't been there, I'll be spending some time there next week, particularly on sunflowers, of course, but I'm hopeful that they're listening and that they know there is a lot of opposition in Western Canada. There's been quite a bit of coalescing around this idea of this historic value of the grain percentage. I think there are a lot more people that can relate to that from both sides. We hear that commodity groups in Alberta have been taking a close look at this one as a percentage, and so on, so that it appears that there's a wider opinion forming in Western Canada, and it's a democratic process and

unless we have some confidence in that it's pretty difficult to live in this country and I don't know which one you'd choose then if you didn't like this one. I think, we're hopeful.

HON. J. PLOHMAN: Yes, I would take it then from what you said that it consists mostly of lobbying and that is, I guess, a kind of negotiation but you have to have direct input, I would think, to have some of these substantial changes to the Ministers and their staff to effect any substantial changes, and there are substantial changes to be made if you're going to be satisfied with this proposal. That is why I wonder whether you have, and I think it's possible you may have some difficulty dealing with that here but, whether you have contingency plans or whether you have any courses of action that you haven't undertaken, that you feel to continue to raise the profile of this issue in public, to make people more aware of the things that would be wrong if this is tabled in the House, and there aren't changes that we want and you say you're hopeful; what courses of action do you propose to do and what courses of action would you like to see the Government of Manitoba do, just to deal with that kind of uncompromising position if it results.

MR. DEPUTY CHAIRMAN, H. Carroll: Mr. Strath.

MR. B. STRATH: Yes, we're continuing with an information seminar-type meeting wherever is requested in Manitoba. We're continuing with the lobby; we are at present drawing up plans to make a brief or presentation, if the bill is presented and reaches committee stage, based on what we know of what's in that bill, at the present time, or what we assume is in it, we've seen some draft copies. We've gone that far, in which we're making some fairly comprehensive plans on suggested changes to meet our requirements. That's an ongoing process and there are meetings going on all the time with key people that are drawing up these plans and these presentations, but we're going to continue to make as many people aware of what the implications are, and there's a great misunderstanding on a number of peoples parts, both on the prairies and down east, and we're working in both areas to try and make people more aware of just what the implications could be with the proposal as it's presented.

HON. J. PLOHMAN: I don't want to take too long on this because we've been going for some time. Polls show that people are not as aware of this issue as we might think they are; and secondly, the information they've been getting is an oversell, as you've just said, they've just sent to the Federal Government and spent a lot of money in trying to sell that position and really overstate the case for both westerners and easterners and I'm just wondering whether you feel that there's some substantive action that could be taken to counteract that?

MR. B. STRATH: Well, I guess, the more information people have the better they can understand the whole issue and that's certainly going on. As you know the Government of Saskatchewan have initiated an

information program, there was a full-page ad in last Friday's Globe and Mail, I don't know whether any of you have seen or not. I'm not too sure whether that's going to go on in the west or whether they just assume that there'd be enough information from other sources in the west. Anything that we can do to increase that awareness we're going to continue to do and I would suggest that anyone that is vitally concerned, and I think we all should be doing the same thing. Any information that we can pass on for other people to use we're quite prepared to give to them.

HON. J. PLOHMAN: Just one other question. I think, we're getting to the point of demanding, rather than negotiating, and at a certain point where there's no other place to turn we have to dig in our heels. I know that you're aware of that there may have to be some tough stances taken. I would just like to ask you, one that puzzles me is that there seems to be no mention of the Port of Churchill anywhere in this, and I'm wondering what's happened to the Port of Churchill and Gilson and Pepin, you've been involved in the discussions, has anyone ever pushed for upgrading and increased usage of the Port of Churchill along the line and why has it fallen to the wayside, or was it never raised?

MR. B. STRATH: I guess if you accept the fact that there are only X number of dollars available, and we want those dollars spent where they're going to move the most grain to the most benefit of most people, and at this point Churchill is not on the top of the list in that area because of its short season and the problems with the permafrost on that line, and the fact that you can't use hopper cars at the present time. Certainly if there were enough dollars to do the job then we'd be pushing for more concern and more things to be done, as far as Churchill is concerned, but at this point, when there are only so many dollars available, we want to have them spent where they're going to do the most good to get the most grain to export point and service the most number of farms. Churchill is not at the top of the list in that category.

HON. J. PLOHMAN: Mr. Chairman, so then Mr. Strath you would say that you have not made it a priority in any discussions that you've had because you haven't felt it as a major priority, even though you represent Manitobans, Manitoba producers, and you're Manitoba Pool, that hasn't been a priority. I can see, maybe, perhaps not seeing Alberta Pool or Saskatchewan Pool raising this as one of the most important issues. — (Interjection) — Well, that's right, it's not Manitoba that is benefitting, or Saskatchewan and Alberta that are benefitting directly if the Manitoba port is improved.

However, we would look at that from a different perspective and I wonder whether you feel that, from that perspective, you have perhaps let Northern Manitoba and Manitoba down by not pushing that issue further.

MR. B. STRATH: Throughout the whole discussion I don't think there was any, certainly as far as we were concerned, we didn't specifically indicate where we wanted this money spent. We wanted a rail system that

would do the job that we require of it, and we felt that it was up to the industry as a whole, including the CTC and the two major railways and the users of those railways, to sit down and define that, if and when we got this part settled. The first thing is to get this settled and then, once you've got this settled, then you decide where your priorities are. I don't think we've quite reached that point yet. Certainly there are a number of things that have to be done; one of them is the Beaver Tunnel, that's going to have a major impact on the efficiency of moving grain products to the west coast, some double-tracking in the west. That's where the majority of the money is going to be spent, that's where the majority is needed.

Certainly if Churchill can be proved to be beneficial on a cost-benefit formula, then it should be part of it but that still has to be decided, I think.

HON. J. PLOHMAN: Just one last question on that. The CN officials have told us that they will not have enough cars to even service the Churchill line by 1985, and they don't have any money for putting into the upgrading of that line, or adding to the facilities there, so there is nothing there. It is your expectation, then, that this would be a second phase; that there would be money forthcoming? What levers would you see that would be possible in the future?

MR. DEPUTY CHAIRMAN: Mr. Strath.

MR. B. STRATH: Well, if money is required for that operation then of course it's going to have to come out of the products that use it and to this point grain is the only product that moves on that Churchill line. I don't think there's anything imported there. They tried and it wasn't successful.

If we're looking at a compensatory rate for grain, that's going to have to be part of the cost. As a producer who is expected to pick up a share of that extra cost then I'm going to be fairly careful I think in assessing where I can make some savings. Where you may not agree or like it, if it's a high-cost line without too many benefits that's one thing. If it can be proved that there is some benefits, if there is a way out of increasing the length of the shipping season, a cheap way of getting that permafrost problem settled so that you can use hopper cars - because I think boxes will be a thing of the past 25 years from now - certainly, let's work on it. But I think that's going to be an ongoing problem and one that's not easily solved.

HON. B. URUSKI: Mr. Strath, in your comments do you have recommendations or any suggestions to the province as to what additional leverage or work the province can do to assist your organization or other farm groups in making substantial changes as you are requesting, to the initiatives that have been proposed?

MR. B. STRATH: Other than what I said before I can't think of anything specific. Certainly a program to make people aware I think is very important. There are an awful lot of people that should know more about it that don't. They either haven't taken the time or they felt it was too complicated to understand and they're hoping that someone else will deal with it. I don't think that's

good enough. I think we should be all working to make people aware of what we're talking about here because I think this is the most important topic that I'll ever deal with and probably anyone in this room will ever deal with. It's going to have more impact on the future than anything we've dealt with to this point and I think people should be aware of it.

HON. B. URUSKI: I appreciate and recognize the concerns how should we and what should we be doing, and how should we accomplish that to make people more aware? What avenues should we undertake? What kind of work? Is it advertising? Is it pamphlets? What would be the best mechanism that you could suggest?

MR. DEPUTY CHAIRMAN: Mr. Strath. Mr. Siemans.

MR. B. SIEMANS: I can't help but think that probably one of the best ways would be simply for this committee to unanimously endorse the position that MPE has taken. No. It's between the Federal and Provincial Government, there's just a little bit adversarial and not very much, but I think that the positions here must be known by the Federal Government, by the Minister, and if through this process the Provincial Government and the opposition by way of this committee saw fit to say that they like this approach, I think that would help more than anything else that I can just think of.

People nowadays, taxpayers, would be very critical to see a lot of money spent supporting the Winnipeg Free Press or any other paper putting out these kind of pamphlets that the Federal Government has saw fit to do the other week. So I think it's more in the purely sort of political way of saying, we think this is a good approach that MPE for example is taking - that's the one we're representing here - and I think that would be the greatest help.

MR. DEPUTY CHAIRMAN: Mr. Anstett.

MR. A. ANSTETT: Thank you, Mr. Chairman, just a few questions with regard to the presentation today by the Pool. In the news release, Mr. Fraser is quoted as saying, there's a very small of disagreement with the stance we've taken when the resolution in question was presented, it was carried with no dissenting votes and I'm impressed with that. I guess my question flowing from that then is, since the committee had representations from at least half a dozen local Pool committees or their representatives during our hearings, in fact other than the Winnipeg hearing, I think this is the first hearing we've held where someone did not speak on behalf of a local elevator committee. Their position generally was less in favour of the proposal than the position you're taking here today. In fact many were quite antagonistic to the proposal. Do I take it from your press release and your presentation today that you were able to accommodate those concerns, or should the committee still be considering them as they were presented prior to your meeting last week in Brandon?

MR. B. STRATH: Well, certainly I don't think we pretend that we have 100 percent agreement within our organization for our proposal. There are areas and local

members that have very strong views on this and they express them and that's certainly their right.

As I said I've been out to 15 country meetings in these last three weeks. The majority of those people I've talked to have supported our proposal. There have been some that did not. I think there were two or three meetings that voted to not have any change and I accept that. As I said there are strongly held views and there are certain areas and certain members that have stronger views than others.

I might say that there was a motion early in our meeting last week, the essence was that there be no change. There were only seven votes for that motion.

HON. B. URUSKI: Out of how many?

MR. B. STRATH: Out of 75; 75 delegates were there. That I saw, there were only seven.

Now when our motion that was read here was presented after a couple of hours discussion, there were no dissenting votes. I did not see any abstentions. There may have been. I didn't see them. We had a standing vote. It wasn't a ballot vote, but generally they are supportive of what we're doing and certainly we don't pretend that 100 percent are in favour. We've never said that, but certainly a vast majority are.

MR. A. ANSTETT: Mr. Chairman, would it then be fair to assume through you to Mr. Strath that you have for all intents and purposes, with no dissenting votes, unanimous support for the resolution attached to the press release, but perhaps not unanimous support for the other matters on which you disagree with the Pepin proposal. That on this what appears to be a resolution which is headed towards a compromise, you have the full support then of your delegates even if you don't have the full support on some of these other issues in which some people appear to have voted against?

MR. B. STRATH: Yes I think it's fair to say yes to that. I might add that there is a very few of our members that support the method of payment to producers; certainly a very very small minority, just as there is a number that support no change at all. Because we support so many people all over the province, we're bound to get a wide variance of opinion. But as I say, the vast majority have hammered out this policy and have supported it.

MR. A. ANSTETT: On the basis of what you're telling me, I'm very impressed that you've managed to achieve this level of consensus within the Pool. I think that's very impressive.

MR. B. STRATH: Is that a question?

MR. A. ANSTETT: Could you confirm, sir, that the Pool system as it was when you had 363 elevators, was to a larger extent than most other elevator companies, branch-line dependent?

MR. B. STRATH: Certainly we were on every branch line. There were a number of branch lines that were abandoned, that we were the only company on. There were no other companies involved at all. That's because

we had the most elevators in Manitoba. I guess. I can't say we are branch-line dependent. We are railway-dependent, there is no question. Just to be branch-line dependent, no. We have as many elevators on main lines.

MR. A. ANSTETT: Would you have had a higher percentage of your elevators in '72 on branch lines than any of your competition?

MR. B. STRATH: Yes.

MR. A. ANSTETT: Would it be fair to suggest that many of the private companies, particularly those that became more aggressive in the market in the last 15 years in terms of building new facilities, tended to place their facilities on main lines and at what they could perceive would eventually be consolidation points when the rail system was rationalized - as you did?

MR. B. STRATH: Yes, I don't think there is any question.

MR. A. ANSTETT: Would it also be fair to read from the table you attached to Appendix No. 1 that the Pool's share of the total market of export grain on the prairies - I am looking at the graph attached to Appendix No. 1 - although we don't have the full industry data, is it a fair assumption that the Pool's share of that export market in Manitoba has dropped?

MR. B. STRATH: Very slightly. I think our highest percentage was 62 percent and that was a year of relatively good grain movement. We suffer more from plugged elevators than anything else. I think our high was 62 percent of Manitoba grain. In the last few years, we've been very close to 58, plus or minus 58. So, we've probably slipped about 4 percent because of the loss of elevators on branch lines where producers either had no choice or went to other grain products.

MR. A. ANSTETT: I suspected that it might be slightly more than that but if it's in the neighbourhood of 4 percent, I certainly accept that figure because you're the person to ask.

MR. DEPUTY CHAIRMAN: Mr. Anstett, before we continue, the master tape needs changing - if I could interrupt right now.

Mr. Anstett, you had a question.

MR. A. ANSTETT: What I'm getting at in that last question, Mr. Strath, I guess, is my concern about the future of the Pools on the prairies but particularly Manitoba Pool. In view of what is a moderate decline in your share of the market in the last 10 years and the fact that your competition is concentrated on, both in terms of inland terminals on the prairies, those few that have been built and on the main-line upgrading and new elevators on main lines, how do these proposed changes impact on the future of Manitoba Pool in terms of the suggestion that you've made here today that this will lead to incentives to hauling the main lines and the other facets and that.

In other words, does the Pool see this as a threat to its continued viability in maintaining its share of the

market, or will the fact that new opportunities will arise because you will not be faced with a plugged elevator problem mean that it will enhance your opportunities to hold your share of the market? How do you see this in terms of the Pool as an actor in the grain-marketing system?

MR. B. STRATH: Certainly, if we don't have to face plugged conditions all the time, we feel that we can increase our percentage of the total handle in the province. If the present guaranteed network is maintained, we are not concerned at all. We feel that there is no problem maintaining our percentage. In fact, if we are forced to close our branch-line system and move to main lines, we're not concerned about the fact that we can be competitive. We have as good or better management and grain buyers as any company in the field, but what we are concerned about in that case, is the fact that farmers will be required to rebuild a system that is in place that they have already built, because there is only one place that that dollar to build that new system is going to come out of, and that's the grain. If you are going to close the branch-line system and move everything to the main lines, you're going to have to rebuild the whole system again out of the farmers' dollar, out of that grain dollar. That's what we are concerned about. As a company, we are not concerned about competition. We can meet any competition there is.

MR. A. ANSTETT: Would it be fair of me to be suspicious about the timing of the structural changes, the rationalization which started to occur in the late '60s amongst the grain companies, and the fact that about that time the railroads began to start making noises, not publicly but certainly in high places, about changes to the Crow and the fact that now, roughly 15 years later, these things are coming about? Would I be at least warranted in being cautious, if not fully suspicious, about the fact that a lot of these things were done in anticipation of the kinds of changes that the Pepin proposal needs for the prairies, the kinds of changes that you highlighted as being opposed to in your brief?

In other words, was the handwriting on the wall 15 years ago and some people got onside and the farmers and the Pools on the prairies are just now being put to the wall? Is that a reasonable suspicion to have?

MR. DEPUTY CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: I think in the first place, it's important to look at the percentage of business of all the three Pools when you're looking at this. The Saskatchewan percentage is something like 65 percent and has not been dropping; the Alberta percentage of the last year was 67 percent to 68 percent. They've had some abandonments too, but it must have worked out differently for them. So the total has not been dropping.

Furthermore, when we handle 57 percent to 58 percent, there are two things that we must take into consideration. One is that we have only 52 percent of the capacity in the province through some of this abandonment and so on, so we're doing 57 percent to 58 percent of the business with 52 percent of the

capacity. That's quite a problem when you face the situation of plugged elevators.

The other one is that in that 57-point-some percent, the amount, the 150,000 tonnes or so that is crushed at Altona or at the Nipawin plant and now at Harrowby, is not reflected in the percentage which, in the final analysis, is MPE percentage. In the manner in which the Canadian Grain Commission looks at it . . .

MR. A. ANSTETT: In terms of the total handle. In terms of the total.

MR. R. SIEMANS: So if you're adding that to it as a percentage of grain that is marketed in Manitoba, that's fairly significant - what that will do to the Manitoba Pool figure.

MR. A. ANSTETT: Thank you, Mr. Chairman. With regard to Appendix No. 3 which provides some statistical calculations, on Page 2, what would the comparative - and I ask this because of problems we've had comparing statistics from different sources, so I want to put your table in the right perspective - what would the comparative figure be under the Crow? Is this a prairie average figure?

MR. B. STRATH: Yes.

MR. A. ANSTETT: So we're looking at 469?

MR. B. STRATH: 489, I believe, is average Crow.

MR. A. ANSTETT: 489, sorry, and the amount per bushel?

MR. B. STRATH: You divide 41 into that, 489 a tonne . . .

MR. DEPUTY CHAIRMAN: Roughly 12 cents a bushel; 13?

MR. B. STRATH: . . . averages 41. Wheat is 37; 37 bushels to the tonne.

MR. A. ANSTETT: Mr. Chairman, the reason I raise that is there was some concern expressed by a witness earlier today about the fact that the real net cost to the farmers would be more than offset by the producer payments, and the amount of the increase might be a small inflationary increase and it wouldn't be anywhere near the five or six times. I'd like you to confirm for me that if we're looking at 13 cents a bushel now under Crow, that in the '90-91 year, which is seven years hence from the - sorry, it would have to be '89-90 - what we're really looking at in terms of prairie average is an increase, net to producers, of over five times. Could you confirm that, that's a net increase to producers?

MR. B. STRATH: That's right, and Mr. Pepin's 1st of February announcement and the figures that went along with it indicated that if you work through these cost projections and the increase production at 3 percent per year to that point, and farmers were picking up everything over 31.1 million tonnes, that it was actually

6.4 times Crow in 1991-92, net. That's not gross; that's net.

MR. A. ANSTETT: Just to confirm that, 6.4 in '91-92?

MR. B. STRATH: I believe that was the year, yes.

MR. A. ANSTETT: Thank you very much for confirming that. Mr. Strath, one other thing that's come up several times during the hearings we've held related to the question that, in effect, we haven't had a Crow rate for a number of years, since the Wheat Board and other agencies and the provinces have gotten involved in supplying, either by purchase or lease or whatever form of assignment, hopper cars, we haven't effectively had a Crow rate. I referred to things having started to change roughly 15 years ago. Can you confirm that, in reality, the only reason that those things happened was because the Federal Government, when these things started to occur in the 60s - it's been generally agreed here that that's when, since 1952 really, but it really started to show up, in terms of inflation, that the railways' costs far exceeded Crow - that it was really a failure of the Federal Government to require the railroads to live up to their commitment that forced the Wheat Board, the Pools and everybody else to get involved in rail line subsidies and hopper car purchases and assignments to the railroads. Is that a fair statement to make?

MR. B. STRATH: Well, we certainly weren't getting the service that we needed. The Wheat Board was desperate to get grain movement to fill sales; that was one of the reasons that they justified buying those 2,000 hopper cars. It was a major move on their part, so it was the failure, I guess, of the railways to provide the service that we required. Now they justified it by saying that they couldn't afford to. Whether you accept that or not is another thing, but they certainly weren't providing the service that was needed at that time.

MR. A. ANSTETT: I have some trouble accepting it but that's another debate. Have you ever done any research in your organization which would indicate the value in comparison to Crow of these additional subsidies that have been provided? In other words, where are we now, at 1.5 times Crow, 2.33 times Crow, in terms of the total subsidies that are now available?

MR. B. STRATH: I haven't seen figures; I don't think we've done them. They may be well available. Certainly, the gross figure that has been spent should be available. How you relate that on a per tonne basis, I'm not too sure.

MR. A. ANSTETT: That hasn't been compiled, to your knowledge.

MR. B. STRATH: Not that I know of.

MR. A. ANSTETT: I guess my last concern relates to something which I didn't see in your brief and I'd like to know what your feelings are about it. We understand from CN that, historically, grain has accounted for 18-20 percent of their traffic, although this year it's up in

the mid-20s because of the falling off in carriage in other commodities. Mr. Uskiw referred earlier to statistics from the Western Transportation Advisory Council briefing material, showing that only 16 percent of the increase in traffic is going to be to grain over the next decade. Mainly coal, potash, etc., will pick up the balance of the traffic going to the west coast. You don't express any concern, and I'm wondering if Pool has a concern, about what appears to me to be a disproportionate loading on farmers of the capital cost of the expansion of capability in the western prairie region and through the Rockies - the total capital investment somewhere approaching \$16 billion, \$9.5 billion of it in Western Canada, with the farmers picking up, I believe \$4.5 billion and the Federal Government picking up \$5 billion. Has the Pool expressed any concern about what I consider the disproportionate loading on the backs of grain producers in Western Canada of that investment, when they really are only going to account for 16 percent of the traffic on this improved capacity?

M. B. STRATH: Well, we're certainly concerned about the emphasis that's been put on settling this question before the railways start to look at some major investments because of its low percentage. You would think that if this is the be all and end all, if you listen to the president of the CN or the president of the CP when they're talking about future programs and future expansion plans to look after their future traffic volumes. There's been too much emphasis, we feel, put on this question and they say they won't do anything unless it's settled. Maybe that's a negotiating standpoint from their part, I don't know. I guess as far as the number of dollars are concerned, I guess you have to look at the fact that the dollars put in by the farmers, they're not entirely investment dollars that would go toward the expansion of the system. Supposedly, a compensatory rate covers the cash costs of the railways, which I would assume other products cover as well, and the contribution or 20 percent on top of those cash costs are supposed to be for investment dollars and so on. If you look at it that way, I'm not too sure that it is a disproportionate amount. It may be; we haven't done all those figures, but a compensatory rate is supposed to be just that, a compensatory rate, one that returns actual costs to them.

MR. A. ANSTETT: A final question, Mr. Chairman. I have heard from sources that wouldn't be authoritative, because it wasn't CP because CP has not appeared before this committee, but from other sources, CP has actually commenced construction of approaches and may well have commenced tunnel work on the lower tunnel they're going to be putting through Roger's Pass, the I believe it's 15 mile, 22 kilometre tunnel. Have you heard anything? Can you confirm that work has actually started despite the fact that, as you said, they said they couldn't do anything until this agreement was in place? I understand this work started about a year ago.

MR. B. STRATH: I haven't heard what their program is as far as that's concerned, although they did indicate earlier this year that they may postpone the construction of the Beaver Tunnel. The railways did get a cash

payment from the Federal Government this year of \$313 million as part of this whole package. In return for that, they were to initiate expenditure programs of some \$500 million to \$800 million, and I would hope that they look after their part of that bargain. I would hope the government is seeing to it that they do in return for that \$313 million grant.

MR. A. ANSTETT: I hope so too.

Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Strath, just on the latter point that was raised by Mr. Anstett, I've been trying to find out what the rationale is for the proposition between the Government of Canada and the farmers that we pay the total cost of capital investment for CP - CN over the next decade in Western Canada, some \$9.5 billion. In light of the fact that with the most optimistic projections of increased exports to the west coast ports, and we're looking at 16 percent tonnage requirements additional to what we now have as being the grain tonnage requirements, do you believe we're going to reach those expectations with respect to increased tonnages of a million tonnes a year for the next decade?

MR. B. STRATH: Well certainly, I think, we're behind the projections that were made some five years ago now. The downturn in the economy has created great difficulties for especially the railways. They haven't had the increased volume, in fact, they've had a decreased volume of a lot of these products that they felt they would have some problems looking after at the present time so I don't think the urgency is there that was there even two years ago.

MR. CHAIRMAN, A. Anstett: Mr. Uskiw.

HON. S. USKIW: I want to confine my remarks to the tonnages of grain that are going to be moved to the west coast. The projection which results in a 16 percent increase in volume over the next decade is that we will increase our volume by a million tonnes a year for 10 years. Do you believe we will increase grain production and western tonnage movements by that amount?

MR. B. STRATH: Not unless the prices are better than they are today. Now certainly there was a record movement last year of 31.1 million tonnes, that was the most grain that ever moved. If prices had continued or would go up to the point where it would encourage production, certainly I think the availability or the possibility is there, but not under today's prices.

HON. S. USKIW: You're saying that we have under-utilized land base that could quickly generate that additional production, is that the point you're making?

MR. B. STRATH: Cost of inputs, there is certainly more room for increased fertilization providing there is a return for it. There's lots of ways to increase production besides increasing land base.

HON. S. USKIW: Do you look at those projections as being realistic or optimistic?

MR. B. STRATH: I think 40 million tonnes within the next 10 years is reasonably realistic providing the dollars are there to do it.

HON. S. USKIW: My last point has to do with the subject that we touched on earlier. Would it be your view that the most optimum system that we should have, whatever we do with transportation, is a system that will move our grain from the farm gate to the port at the lowest possible cost, is that a principle that is acceptable to Manitoba Pool?

MR. B. STRATH: Yes.

HON. S. USKIW: That, in essence, raises the most obvious question and that is that should not then railways and trucklines be complementing each other to arrive at that utopia of benefit to producers from the point of view of getting their product to port at the cheapest or lowest possible cost.

MR. B. STRATH: Yes, I'm not too sure what that relationship would be.

HON. S. USKIW: Whatever it is I'm not talking economics. If economics dictates that we can reduce the cost of shipping grain to Vancouver or Prince Rupert by 5 cents a bushel, maybe it's 2 or 3 cents, whatever it is, by combining rail and truck and probably resulting in unit train systems being developed, is that a good idea or is that a bad idea?

MR. B. STRATH: If you're talking about reducing the cost of transportation to the producer . . .

HON. S. USKIW: Right.

MR. B. STRATH: Yes, if you're just talking about reducing the cost of transportation to the railways that's where I have some problems and I think that's where this proposal and we start to differ, because it's looking at rail efficiency in isolation. Certainly we're interested in getting as efficient a system as possible for the producer and that will include probably some rationalization in the future as technology develops to the point where you can afford to haul maybe to larger points and longer lines but only at a rate at which we can afford to do it.

HON. S. USKIW: CN and CP at every meeting that I've attended with them have pointed out that the turnaround time on a grain train is 21 days and the turnaround time on coal or potash is about four or five days and they make the argument that if we could do the same with grain as we're doing with the other bulk commodities we would only need one-quarter of the hopper car fleet which means a massive reduction of capital expenditure in hopper cars. That means, though, unit train system of local pickup or next to it, very close to that. Do you see that as sort of something that's going to happen or that you want to happen?

MR. B. STRATH: I don't think with our system of diverse crops and varied product in western Canada we'll ever get to a complete unit train system as they have in

some countries where they have a very homogenous product. We may move towards that, certainly larger car spots, that's one of the things that we're emphasizing at the present time, larger car spots for efficiency reasons for both ourselves and the railroads. I can't see we'll ever get to the system in Western Canada that they have in some other countries where you can move 100 or 150 cars of exactly the same kind of grain out of one area because of the wide divergence of crops and grades that you have within one area because of our system of farming.

HON. S. USKIW: Well, Mr. Strath, I notice in the American system which doesn't have the problems of the Crow, they give quotes, the railway system quotes rates for a single car, for 3 cars, 26 cars and for 52 cars. Of course the more cars the cheaper the rate. What would, in your mind, be the most logical optimum carloading situation on a given site in terms of car numbers, knowing the prairie region as you do in the grain industry?

MR. B. STRATH: Talking about our present high throughput elevators we are attempting to put in a minimum of 10 car spots and attempting, and it's not always possible, attempting to have 15 and 20 wherever we can. I suppose an optimum and I don't know if we'll ever reached that, would be around 15. I'm not too sure whether we can ever achieve that because of local conditions.

HON. S. USKIW: To sum up then, Mr. Strath, you are saying that yes, Manitoba Pool wants to modernize as well in the interests of overall efficiency. You don't believe that we will ever see a day when we can load a complete trainload in one spot, but we can certainly move in that direction if it means cost cutting for the producers.

MR. B. STRATH: Yes I think that's a fair statement.

HON. S. USKIW: Okay that's fair.

MR. CHAIRMAN: Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Yes, Mr. Chairman, a number of questions specifically related to the resolution. I just want to clarify some terms here.

When you're referring to farm gate price of grain, exactly what do you mean by that?

MR. B. STRATH: I guess it's the price that the farmer receives for that product. The elevator price, I suppose that the farmer receives for that product.

HON. J. BUCKLASCHUK: As delivered to the elevator. The other question I had, you indicated that your proposal was to tie the freight cost to no more than a historic percentage of the farm gate prices of grain. You had used a figure I believe based on 1940-1979, which worked out to 7 percent.

MR. B. STRATH: That's right.

HON. J. BUCKLASCHUK: Okay I just want to get back to this farm gate price. So the farm at Ste. Anne,

Manitoba would have a different farm gate price than the farmer at Prince Albert, Saskatchewan, I gather?

MR. B. STRATH: Yes, I think we're going to have to be reasonably flexible and work on systems average here, you know. This isn't going to be pure for everyone in the system. Some are going to be below and some are going to be above if we ever reach that point. We're looking at a maximum and hopefully our grain prices will always be at a point where that trigger doesn't happen. But if it does there maybe some who are paying slightly more than the average percentage. You couldn't have it I don't think at every point because we take a common price, but we have a different freight rate at every point because of a distance relationship.

HON. J. BUCKLASCHUK: That's the point what I was going to get at. In fact if I just interpreted that 7 percent as a flat figure right across Western Canada, I presume because it initially deals with Western Canada, then you would have had the Ste. Anne farmer in a sense paying a larger portion than the Prince Albert farmer for the transportation of grain?

MR. B. STRATH: I guess that was true when those figures were developed too, because that's an average figure as well.

HON. J. BUCKLASCHUK: If that is the case, and I guess the Federal Government would have to pick up a larger share of the transportation costs for that Prince Albert farmer which in a sense is being offset to some extent by the charge that is being assessed against the Ste. Anne farmer, if one is in a slight matter subsidizing the other, then why wouldn't it be logical to say well, instead of having farmer subsidize farmer, why not have the taxpayer pick up the entire cost?

MR. B. STRATH: We haven't worked all these details, but I guess what we're looking at is that if the compensatory rate reaches a point where it's higher than that long-term average, that actually the farmer in Ste. Anne is the point you raised, isn't necessarily paying too high a rate. He's reached the maximum. The Federal Government may be subsidizing the guy at the end of the line more than he is the Ste. Anne farmer, but it's not a cross subsidization. It's not from one farmer to another, it's just that one's receiving more benefit than the other because they've both reached the maximum. The maximum rate based on an historic percentage only triggers if the grain price is low enough to do that.

HON. J. BUCKLASCHUK: Well then that's the point I'm getting at, one farmer may be getting a larger benefit than the other. The transportation costs are then not really distance-related any longer.

MR. B. STRATH: They wouldn't be in that case there. Bear in mind this is more or less a state where agriculture is not in very good condition when the grain freight rate reaches that point, we think that the price is too low. Certainly the farmer in Ste. Anne and the farmer in Prince Albert are receiving the same initial price for grain, so that they're both actually in the same

position as far being able to survive is concerned. It's just a protection on the rate that they're expected to pay even though one because of his distance, is receiving more benefit indirectly from the government, because they're paying the railways the difference. They're not receiving it directly.

HON. J. BUCKLASCHUK: That's true. I'm wondering, if we had used that 7 percent figure, has Manitoba Pool Elevators done a projection as to what the cost of Manitoba's production in a given year - let's say 1981 - would be under your formula as compared to what it would be under the existing situation, and have you projected it let's say 10 years down the road under the Pepin proposal and under your proposal?

MR. B. STRATH: No, we haven't done any cost projections based on the historic percentage. We were just looking at this and beginning to develop this proposal as a safety net if you like for maximum rates. We haven't done any specific work in projections on this. You'd have to make assumptions as to what the grain prices would be and that's a dangerous thing to do especially when they're going down.

HON. J. BUCKLASCHUK: Just one final comment. I must admit I'm using 1980 Yearbook Manitoba Agricultural figures. I did do some rough calculations. Are you questioning the credibility of these?

MR. CHAIRMAN: Who was the Minister then?

HON. J. BUCKLASCHUK: I was going to raise that question. I did do a calculation on the basis of 7 percent of the value of the production and of course I've had to assume that 100 percent of the production went out of the province. Under the existing structure, the cost would have been something like \$18.8 million to transport that grain out of Manitoba. Under your formula it would work out to something like \$70 million.

MR. B. STRATH: 70?

HON. J. BUCKLASCHUK: I'm sorry, \$65.4 million which is about three and a half times what it is at the present time.

MR. B. STRATH: I guess there's something wrong with doing that. Because at the present time, the present Crow is just under 3 percent. You could go a little more than double and reach the historic percentage. If you go a little more than double what the freight costs are today, you'd roughly reach the historic percentage.

HON. J. BUCKLASCHUK: It could be. I was just using the figures that were given to me here.

MR. CHAIRMAN: Further questions. Seeing none, Mr. Siemans and Mr. Strath, thank you very much for your presentation today.

I'd also like to thank you for staying so long and putting up with such a long question period.

MR. B. STRATH: Incidentally, Mr. Chairman, I've been involved with this for over a year now, and that's about

a quarter of the information that I've gathered. I'm quite prepared to share what we can with anyone who would like it.

MR. CHAIRMAN: Appreciate your offer, sir.

Gentlemen, normally by this time we've broken for a supper recess. However, I understand there may be some people present today who will be unable to return this evening, present now, who can't come back tonight. Is there anyone here who will not be able to come back tonight? Mr. Jensen, Mr. Klassen. Is the committee willing then to sit a little longer at the present time, so that we can hear both Mr. Jensen and Mr. Klassen?

Okay. I'll take them in the order in which they appear on our list. Mr. Klassen first who was No. 8, followed by Mr. Jensen, he was No. 10.

Mr. Klassen.

MR. P. KLASSEN: I should thank the people for being here but I suppose those that are left I suppose are the next speakers.

Mine should have really been the first brief as I'm speaking for the Pembina New Democratic Association and we're happy that you're among us in our constituency so I'll read my brief.

I'm Mr. Paul Klassen, the President of the Pembina New Democratic Association.

The Pembina NDP Association wishes to oppose any change to the Crow rate. We feel that the farmers will be the big losers and in view of the economic conditions that are present today we submit the following:

It is obvious that the railway companies stand to gain most from the proposed changes in grain transportation policy. Because CN is owned by the Government of Canada it could be argued that theoretically all Canadians share in CN's gains. However, it must be remembered that western farmers will be making a disproportionate contribution to CN gains.

By far the biggest winner is CP Rail. Over the next 10 years western farmers and Canadian taxpayers will be forced by an Act of Parliament to contribute between \$4 billion and \$5 billion to CP assets. This is the biggest giveaway of public money since the CPR was chartered in 1881.

Other big winners are the resource companies, especially those exploiting the vast coal resources in Alberta and B.C. to the extent that farmers and taxpayers pay for the expansion and improvement of the railway system, the resource companies will be able to get a more favourable rate for the transportation of their products. CP, through its ownership of Fording Coal, is a double winner.

The biggest losers are the western grain producers. Their incomes, over a 10-year period, will be \$4 billion less than they would be under the Crow rate. Farmers are also taxpayers and as such they share with other Canadians the "privilege" of donating billions of dollars to Canadian Pacific Ltd., which is already the richest and most powerful corporation in Canada.

We of the NDP, are strongly opposed to the idea of passing a law which will take money from Canadians who have little to spare and give it to the country's mightiest and wealthiest corporation. It is not too much to say that for too long Canadian Pacific has had too much control over the Canadian people. The time has

come for the Canadian people to take control of Canadian Pacific. Our alternative to the Pepin proposal will do just that.

MR. CHAIRMAN: Questions? Mr. Manness.

MR. C. MANNESS: Thank you, Mr. Chairman. Usually when somebody comes forward and purports to represent a number of people, can you tell me how many people are in your association?

MR. P. KLASSEN: I would say in the neighbourhood of 130-140.

MR. C. MANNESS: Mr. Klassen, in your last paragraph you say that western grain producers will be the big losers. I take it then that you don't accept the argument made by two farmers earlier on today that carryover of grain on their farm represents an actual out-of-pocket cost to them, by way of foregone interest; you don't accept that argument?

MR. P. KLASSEN: They're entitled to their opinions.

MR. C. MANNESS: Thank you.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Klassen, are you a farmer?

MR. CHAIRMAN: Mr. Klassen.

MR. P. KLASSEN: I have a farm which is, at present, leased and I'm in the real estate business, very close to many farmers.

MR. D. ORCHARD: Okay. I take it you're not actively farming any land right now yourself?

MR. P. KLASSEN: It's leased.

MR. D. ORCHARD: Now in preparing this brief, how many farmers were contacted in Pembina constituency?

MR. P. KLASSEN: We discussed it at our meeting.

MR. D. ORCHARD: Okay. How many farmers were there, would you guess?

MR. P. KLASSEN: I've talked to quite a few farmers besides this, and at our meeting there were 15, 20 people.

MR. D. ORCHARD: I don't like to pursue it, but of the 15 or 20, were they all farmers that were . . .

MR. P. KLASSEN: Yes, they were.

MR. D. ORCHARD: Okay. Now I noticed that one of the other briefs that was in this afternoon from the concerned farmers from the Portage area, they tabled their document signed by 10 other farmers. Have you got any signatures to attach, of farmers, to your brief?

MR. P. KLASSEN: No.

MR. CHAIRMAN: Further questions? Mr. Plohman.

HON. J. PLOHMAN: Just a minute ago, Mr. Manness said that perhaps you don't agree that grain stored on a farm costs money. He suggested that you don't agree and he also said that therefore what you're saying about opposing the Crow rate is not legitimate, changing in the Crow rate.

I want to just . . .

MR. CHAIRMAN: Mr. Manness on a point of order.

MR. C. MANNES: At no time did I reach a conclusion on the fact that, because of what the man said, he was against or in support of the Crow rate.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: However you just said that you have a proposition or a position that you are not opposed to an improved system of railway transportation, simply you're just not in favour of the way that it's being done. Is that correct?

MR. P. KLASSEN: That's correct, sir.

MR. CHAIRMAN: Further questions? Mr. Downey.

MR. J. DOWNEY: Yes, Mr. Chairman. Is this policy of the Pembina NDP Association consistent with the Provincial Government of Manitoba's policy?

MR. CHAIRMAN: Mr. Klassen.

MR. P. KLASSEN: I think it's fairly consistent, yes.

MR. J. DOWNEY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Further questions? Mr. Klassen.

MR. P. KLASSEN: I would like to point out, to take this out of the political arena, that I have served on the executive of both major parties represented here.

MR. CHAIRMAN: Further questions for Mr. Klassen? Mr. Orchard, do you have a question?

MR. D. ORCHARD: Yes, the brief is only from the NDP Association I take it. Thank you.

MR. CHAIRMAN: Mr. Gourlay.

MR. D. GOURLAY: Mr. Klassen, you indicated at the start that you should have been first with your brief today. I wonder if you could explain that further.

MR. P. KLASSEN: The reason for that was because you met in our constituency, that's why. There wasn't any other reason.

MR. CHAIRMAN: Any further questions for Mr. Klassen? Hearing none, Mr. Klassen, thank you very much for coming here today and making your presentation.

Mr. Tom Jensen please. Manitoba Trucking Association.

MR. T. JENSEN: Thank you, Mr. Chairman. My brief will be brief.

On behalf of the Manitoba Trucking Association, I want to thank you, the Manitoba Government and the Standing Committee, for providing us with an opportunity to appear.

Our association believes that the Gilson recommendations provide the best opportunity to date to correct the long-standing problem. In 1897 the Crow rate was established and was compensatory at that time. In 1983 that same Crow rate represents no more than 20 percent of the cost of moving grain. If the Crow rate continues, in not too many years, it may be a negligible contribution to grain movement.

Notwithstanding subsidies of various types, the railway losses in 1982-83 are purportedly to be about \$400 million on the movement of grain. In addition to subsidies from the Federal Governments, rail cars from Provincial Governments, there is also cross-subsidies from other users of rail transportation. The Federal Government is on record as saying it can no longer afford to subsidize to this extent in perpetuity. Other users of rail services are concerned that the price paid for their transportation will reflect an ever-increasing share of subsidizing grain movement.

The Gilson report is in effect acknowledging that the Canadian taxpayer can no longer support this degree of subsidization. It also recognizes that an immediate user pay cost regime cannot be instituted given the years of static rate. The detail of the recommendations of the report, no doubt, can be argued but the concept of greater movement toward user pay over a period of time is sound.

It is the belief of our industry that improvements in the rail system in terms of increased throughput to port, service, and eventually a more cost-effective system cannot be made until the farmer has the money to demand service. In the early stages this will mean subsidies going directly to the farmer as well as the railways.

The railway tell us that the lowest cost method of shipping is by unit train on main lines and not splitting cars. The costliest and slowest part of their operation is collection on branch lines. There is reason to believe this. On some branch lines there are few commodities other than grain going over the rails. The reason is very simple. Each car costs \$60,000 to \$80,000, can be waiting up to a week before it gets back to the main line and the fuel costs, together with train crews to move a relatively few cars, add up to a very high cost. We haven't even mentioned the cost of maintenance of the branch lines. This, of course, is not true of all branch lines since some receive high volumes of traffic and some are in remote areas where there may be no alternative.

It's interesting to note that sugar beets in Manitoba originally moved by rail but for a great many years they have moved by truck transport. The decision to make this change was based strictly on economics. The same situation exists in the Maritimes with the potato harvest.

In 1973-74 an experiment was conducted by the Canadian Wheat Board involving the collection of grain

by trucks in southern Alberta. During 1973-74 the board initiated trucking to overcome delays due to strikes and shortages of boxcars and also to test the reliability of this program for unit train operation. The board suspended regulations requiring producers to deliver their grain to specified points which enabled farmers adjacent to closed lines to haul their grains to points on open lines. The objective of this program was to move grain from branch line points to the interior terminals and speed up rail shipments.

I quote a memorandum from Alberta Transportation Department: "The trucking program relieved the rail cars which were usually tied upon the tracks either near the country elevators or the terminals. Injection of truck service expedited grain movement to the ports in time. One estimate showed that rail cars took seven days from Lethbridge to Vancouver and back and when spread in the country elevators it used to take 12 to 15 days for the same trip."

Other conclusions were: A rail boxcar which was usually tied up for about 10 days to conduct a movement from country elevators to an inland terminal was reduced to 8 to 10 hours by using semitrailer and moving the same amount of grain. Use of commercial trucking led to better utilization of available boxcars.

The experiment proved that the turnaround time of rail cars from the pacific coast to Lethbridge was halved when trucks were employed on the collection system. Rather than a shortage of rail cars for grain, there may, in fact, be a surplus if truck transport were used properly in conjunction with long distance hauling by rail.

This type of haul was not repeated to any extent because of rate. If a subsidized rate was offered for trucking some advantage could be taken where economics dictated. However, the choice should be the farmers and he cannot make any choice as long as he does not have the money to pay a compensatory rate.

There has been a great deal of talk about commercial trucking not paying their fair share of the road system. I suggest to you that it is virtually impossible to determine what is a fair share. We know our industry pays a staggering amount in ever-increasing licensing fees and fuel tax. In the distant past fuel tax was assigned exclusively for road construction and maintenance and now it goes into general funds. We've recently been told that less money is going to be spent on a road system in the coming year than revenues generated by vehicles using our road system.

I'd like to point out that what I've said is not simply in terms of self-interest. Frankly, we as an industry suspect that if the absolute economics of grain movement were taken into account and many of the collection systems from country elevators to inland terminals went by truck, our industry overall may not be better off. It is our suspicion that prices on other movements may drop because at that point there would be less cross-subsidization by the railways.

However, it is our belief that the perpetuation of an antiquated system fostered by the present method of paying for grain movements in the end will cause the Canadian grain industry to be non-competitive on the world market.

MR. CHAIRMAN: Thank you, Mr. Jensen. Questions for Mr. Jensen by members of the committee? Mr. Uskiw.

HON. S. USKIW: Yes, Mr. Jensen, I think you're making the argument that there is a complementary role here in between trucks and railways.

MR. T. JENSEN: Yes, that's correct.

HON. S. USKIW: You're not putting the proposition forward that you would want a competitive system to be established side by side for long distance hauling?

MR. T. JENSEN: We don't, in fact, believe that it would be competitive. We believe that if the railway operated their system in the most cost-effective way, we could not even be competitive on the long hauls but we believe we could be more than competitive on the short hauls running from country elevators to inland terminals and that has been proved in a number of cases throughout the country.

HON. S. USKIW: Do you believe that it's realistic, I know you were here when I put the question to Manitoba Pool, to envisage single point unit train loadings on the prairies?

MR. T. JENSEN: I appreciate what the Manitoba Pool was saying. It's a little more complicated than simply gathering up grain, bringing it to an inland terminal and then loading up 100 cars. I understand because of the varieties of grains that this may not always be possible. What I am suggesting, however, is that I believe it is possible to assemble a greater number of cars at one shot than is currently being done and what is a little disturbing from our point of view, at least, is that the method of payment that is in effect at the present time does not provide any real incentive to look at the absolute economics of grain movement. The railway will accept subsidization because it has to. It will maintain branch lines irrespective of whether it's really required in absolute economics or not simply because it's demanded of them. There is no vehicle, if you like, to get into the most economical way of a gathering system.

HON. S. USKIW: One question that obviously has to be asked and that is, under what rules are we competitive and under what rules are we economic? The railways are being subsidized and have been for some period of years and will continue to be pursuant to the Pepin package being implemented, if it is. The trucking industry is also, I believe, subsidized although I don't know that we've done the study that will have to be done to determine the extent of it, but I don't believe the provinces recapture the costs of roadbuilding from their fuel taxes and licencing fees. So that in essence, do you believe that before one could really compare the two, one would have to do a cost benefit on each line if we're talking branch lines for example before we decided that it was prudent to move towards a trucking complementary to rail system towards inland terminals.

MR. T. JENSEN: In fact there are ongoing studies in the U.S. in particular in a number of states as it relates to absolute cost in terms of trucking, using public highways. This has proved to be extremely difficult to

come out with the absolute cost because it does relate to the nature of the road surface not just the wear, but I think we're all aware of the fact, that whether a road is used at all or not, there is a certain amount of deterioration that takes place. I think we all know that. It is very difficult to determine what the cost of a road system is as it pertains the use of trucks on that road. I would certainly agree it would be nice to find out what the cost is, but at the same time I would say that the taxes that are levied in terms of fuel and also licensing are ever-increasing. I would like to know on what bases they're increasing since no one seems to know what the cost is incurred in running trucks on a road system.

I think it is a very difficult thing to arrive at, but as I say I am concerned that as far as grain movement is concerned there is no recognition taken of the possible savings through the use of trucks. I think it is possible to do that without coming out with an absolute cost in terms of use of trucks on road systems.

MR. CHAIRMAN: Further questions. Mr. Uruski.

HON. B. URUSKI: Just one point. Mr. Jensen, you indicated that on long distance hauls the trucking industry would not presume to be even competitive on the long long hauls in the industry. Can you explain to me what difficulties the industry runs into by having to move freight, Winnipeg - Vancouver, Winnipeg - Toronto - Montreal, and not utilizing the rail lines, whether it be by piggyback but still running the rigs on the highway?

MR. T. JENSEN: I am not quite sure I understand your question. At the present time there are units running long distance right from Winnipeg to Toronto or to Vancouver. In most cases I would say that these shipments are time sensitive. In other cases, I would say that the rate is there, that is on a competitive basis for certain commodities. Now on bulk commodities, I am talking about coal, sulphur, potash, that type of thing because it is a comparatively low rate, it's not competitive. The same would be true with grain, but on other commodities, as I indicated in the brief, I suspect that there is a fair degree of cross-subsidization. I suspect, in fact, that if it was compensatory, the grain movement, that you would see a drop in prices of other products. You would see, in fact, less movement by truck across the road.

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: Mr. Jensen, there would be some advantage for your association in trucking if there were variable rates in place, would there not? On branch lines?

MR. T. JENSEN: Well, I think I indicated in the brief, I am not just certain how much advantage there would be to our industry. Of course there would be that business involved where it made sense to move grain. There would be that additional business. On the other hand, I suspect because of the cross-subsidization, there would be less business elsewhere because the rail rates would tend to gravitate down. This is our

suspicion in any event. So, where we would gain on the one hand, we would probably lose on the other.

HON. A. ADAM: . . . to the farmer then the farmer would be at liberty to take whatever mode of transportation is available. Is that not correct? You would be opposed, your position would be opposed to paying the railways as opposed to the farmers.

MR. T. JENSEN: Well, it is our belief that the owner should be in control of whatever form of transportation he wants to go to. That is whatever made sense to him, whether it be on the basis of price or it be on the basis of delivery, speed of delivery if that meant something to him.

HON. A. ADAM: Yes, you mentioned about subsidization and you thought that we should be moving, if they abandoned the Crow rate and went to a compensatory rate, that was a desirable thing to happen because we would be moving to the user-pay principle or philosophy. Would you also subscribe to that philosophy if it applied to railways and Via Rail and the Welland Canal and all the other costs that are now being subsidized by the airports and so on?

MR. T. JENSEN: No. I think what really I mean to say is that the cost of movement should be in the hands of the shipper. It does not mean, and I am not suggesting that the user pay 100 percent of the cost of the product, but it is our belief that the user should have 100 percent in his possession in order to make his proper choice of the transportation that he wants to take.

HON. A. ADAM: Yes, just one last question. If the abandonment of rail branch lines and small elevators disappear because of the reduced volumes of grain being brought to those delivery points, it is expected that large trucks will be moving in onto farms, direct farms and loading up there, adding a burden to municipal roads as well as provincial roads. We can leave the provincial roads aside for now because we can't determine exactly how much subsidization is going into the motoring public and the trucking industry. But given the fact that there will be big semi's moving into the municipalities to load up grain direct from farmers, I presume, who should be picking up the burden for those roads?

I am very concerned because I am the Minister of Municipal Affairs.

MR. T. JENSEN: No. 1, it's not anticipated that any of these trucks would move onto farms at all. It's not anticipated that any of these country elevators disappear either. What is anticipated is that the grain be collected from the present country elevators, moved to the inland terminals, but not going on the farm. In other words, you wouldn't get any different pattern of traffic than you have currently from the farm to the country elevator.

HON. A. ADAM: Well there has been quite a number of branchline abandonments over the last 10, 15 years. Do we have a case now, except maybe Fisher Branch I'm not sure, do we have a case where that is now

happening where the elevators are in place - there could be, but I'm unaware of any - now where they're receiving grain and transporting it to main line high throughput elevators?

MR. T. JENSEN: I'm sorry was that a question? Are there any areas where we're transporting now to . . .

HON. A. ADAM: Yes. From branchline elevators where the lines have been abandoned, that have been kept there in place by the elevator companies and that you're now transporting grain to the main line terminals.

MR. T. JENSEN: Not that I'm aware of. I don't see how that movement could take place at the present rates.

HON. A. ADAM: Then you feel that given the higher rate for grain the six times Crow or whatever it is, that there will be a tendency then so that the elevators remain in place? Is that what you're saying?

MR. T. JENSEN: Yes I think what I'm saying is that if it makes economic sense for the farmer to ship by truck from the country elevator to an inland terminal, that would be his choice to do that.

Now I suspect that there would be many, many areas where it would not make sense for the farmer to do that. There would probably be enough incentive, enough traffic on the other lines that the railway would provide a good rate to do that. It wouldn't make sense for trucks to do it. I'm not suggesting that trucks would take over all movement from country elevators to inland terminals. I don't think that would happen at all.

HON. A. ADAM: If it pays the trucking industry to move this grain from branchlines to a main line terminal, would it not be profitable or worthwhile as well for large farmers to haul their grain if there's a variable rate to move his grain out rather than leave it at the small elevator point, and he would get the advantage of the incentive on the main line leaving all the small producers back who do not have the big units to haul their grain out - 1 ton trucks or whatever; 2 ton; 3 ton - would

that not leave the elevator in a difficult position with low volume and just the small producers left to supply that elevator point?

MR. T. JENSEN: That's of course presupposing that a farmer can be a trucker and we have some doubts about that, that his costs would be comparable to what a commercial trucking firm would be. I think we are seeing that all across the province at the present time. Farmers turning into truckers and not being completely aware of what their costs are. If that were the case, large farmers did their own trucking because they felt that it was cheaper for them to do it, there would certainly be commercial operators around for the smaller farmers to handle their grain.

The trucking business is competitive enough in this province that they would certainly get a good rate. I represent over 200 trucking companies. They're just fighting for business.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: One question, Mr. Jensen.

I take it from the third or second paragraph on Page 2 where you mention that it is our belief etc., that a more cost-effective system cannot be made until the farmer has the money to demand service. Do I assume from that that you would have some sympathy for a proposal of freight rates tied in as an upper limit to the price of grain so that we don't bleed the stone in other words.

MR. T. JENSEN: If I understand you correctly, that there be a top limit on freight rates? I would have no feeling on that, I'm simply proposing that unless it's compensatory to the carrier, you are not going to get an efficient system.

MR. CHAIRMAN: Further questions for Mr. Jensen. Seeing none, Mr. Jensen, on behalf of the committee I'd like to thank you and your association for making a presentation tonight.

Gentlemen, what is your will and pleasure, return at 8:00 p.m. to continue with the balance of the briefs?

Committee is recessed and will reconvene at 8:00 p.m.

We, the undersigned support this
brief

Lois D. Tufford

Tom E. Tufford

Michael

Newman Co SW-15126

Robert

J.P. Small

Postage ~~is~~ ^{is} ~~for~~ ^{for} ~~me~~ ^{me} ~~and~~ ^{and} ~~agent.~~ ^{agent.}

Shirley

~~William~~

P. H. P.

Paul Tait

Allen L Munro

Jack

Jack Leader

Perry Hendry

W.J. Hurrell

NW 24-5-8 LORNE

J.D. Smith

Fred Tufford 25-11-8

Bill Zedler 33-11-7

K.A. Fife -

(Mr. McEwan)

CROW RATE PRICING AND PRODUCTION COSTS

April 15, 1983

Full rate; Peas-Deerwood-Thunderbay \$1.54 cwt \$33.91 T.

1979

Full rate; Peas-Deerwood-Thunderbay \$.83 cwt \$18.27 T.

1983

Full rate; Sunflowers-Deerwood-Thunderbay \$1.75 cwt \$38.53 T.

Altamont Crow rate; .16 cwt \$3.52 T.

GRAIN	CROW RATE	(33.91/Tonne)	(Elevation Cost)	
		FULL RATE	BUSHEL	TONNE (Pool)
Wheat	.0096	.93	.19	7.00
Barley	.0768	.73	.18	8.63
Canola	.08	.77	.20	8.93
Flax	.088	.86	.227	8.93
Oats	.054	.52	.159	10.32
Rye	.088	.86	.19	7.51

(13%)

GRAIN	Price/Bu.	Price/Tonne	Interest/Bu./year
Wheat	4.40	162.91	.57
Barley	2.10	148.21	.27
*Canola	6.40	282.10	.83
*Flax	5.90	232.60	.76
Oats	1.14	74.29	.14
*Rye	1.98	78.20	.25
Utility Wht.	4.00	148.21	.52

*Open Market Prices

FUEL COSTS PER GALLON

	1973	1979	1983
Commercial Gas	.484	.951	2.22
Purple Diesel	.29	.674	1.60
Tractor @5 gal/hr.	1.45	3.37	8.00

1982 Fuel cost for Combine, Tractor, and 1/2ton(20,000 miles)
\$11.86/acre

Cost to deliver 50 bu. wheat to Thunderbay

1972 4.80

1982 4.80 (50 x .096)