



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



MG-8048

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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, Hon. 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, Hon. 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	Virден	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
MALINOWSKI, Donald M.	St. Johns	NDP
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, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Hon. 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
Thursday, 26 May, 1983

TIME — 10:00 a.m.

LOCATION — Room 254

CHAIRMAN — Mr. Andy Anstett, Springfield

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Plohman and Uskiw

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

WRITTEN SUBMISSIONS INCLUDED IN THIS TRANSCRIPT:

Mr. Dennis H. Heeneey, private citizen

CN Rail

Mr. John Whitaker, private citizen

Mr. John C. Harder, Secretary, Manitoba Pool Elevators, Lowe Farm Local

MATTERS UNDER DISCUSSION:

Government resolution passed on March 15, 1983, re Western Transportation Initiative proposed by the Government of Canada.

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MR. CHAIRMAN: Committee, come to order. Gentlemen, we have a quorum.

Before we proceed, gentlemen, with the draft report that's been distributed to all members by the Minister, I'd like to ask the committee's indulgence to deal with one administrative matter. We've received four written submissions after we finished our last public hearing in Morden: Mr. John C. Harder, Mr. John Witaker, CN Rail, and Mr. Dennis Heeneey. All were distributed to members by the Clerk. Would you like those written submissions included in the transcript of this meeting so that they become part of the permanent record of the committee?

So moved? Agreed? (Agreed) Thank you, gentlemen.

Gentlemen, how do you wish to proceed then? We have received a draft report. The purpose of this meeting then is to consider on the basis of our hearings and draft report and any other input what we wish to report to the Assembly.

Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I would move that we consider the report that has been prepared and subsequently to approve the same as our recommendation.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I appreciate the fact that we did receive a copy of the report late yesterday

afternoon, and I know that some of my colleagues and I have had very little chance to either go over it individually. As well, we haven't had an opportunity to go over it collectively, either as a committee or as a caucus.

I would say without dealing with a report that my position or our position at this point is that we cannot deal with it in view of the fact of two main reasons: No. 1, is the lack of opportunity to have assessed it; and No. 2, that the whole exercise that we went through, because of the actions that have taken place in Ottawa, and because of some of the positions that are now coming forward from the people that we heard from, the people who presented the briefs, that the whole exercise is almost an exercise in futility and is being proven in news releases and press releases that are coming forward by some of those organizations.

There has been a total change in really what our objective was from the setting up of our committee. I would find it very difficult and I don't want to get into the contest of it that we are going to be of any use in presenting the kind of brief that is now being presented. I would ask if my colleagues have any comments to make, I'm sure they have, but without proceeding to spend a lot more time on it, maybe the committee should discuss, or the Minister should explain what he thinks would be accomplished by a report. I realize that we do have to report back to the Legislature, but what are we accomplishing? That's the question that I have to ask of the government who set up these hearings.

HON. S. USKIW: Well, Mr. Chairman, I think the point that has been made by the Member for Arthur is valid. There has been a substantial change in the proposal that is now before Parliament, from that, that we were discussing during the hearings. There is no doubt about that. I think that we can claim credit for bringing whatever improvement was brought about by way of the hearings and by way of efforts throughout Western Canada and Eastern Canada in this issue on the part of many people. So I don't believe that that exercise was futile; I believe it was tremendously productive. The Government of Canada, obviously, has apprised itself of the problems that it had with the proposal as it was, and has made some modification to satisfy some of the groups that presented briefs to our committee and, indeed, who have made representations direct to the Government of Canada from other provinces, as well as organizations throughout Western Canada.

I believe, notwithstanding the changes, that what we are is indeed an evolving legislative process. The members, I'm sure, would appreciate the fact that we go through the same process when we pass legislation in the Assembly in Manitoba; and that is, after hearing public representations, we often make amendments based on those views that have been received, not in whole but certainly in part.

Therefore, I don't believe the fact that we haven't gained some ground on this issue with the Government

of Canada, that we can take the position that our hearings are irrelevant, given the changes that have been made, because the changes were made because of those hearings and the evidence that was coming through from the public.

So I think we're simply in another phase of the legislative process in the House of Commons, and that is the opportunity for us to now refine our position again, based on the latest package that is before the House of Commons, and to make that position known before the Standing Committee, I believe it's on Agriculture, at the House of Commons. I think that is really what we want to do. We have to recognize, yes, that some of the people that presented views on the original package, and which we have on record, may now be altering their views as to the Pepin current proposal, that they may have agreed, yes, there's been a shift, and perhaps an acceptable one from their point. Others may feel it is less acceptable, and that's valid.

I believe that we in the Government of Manitoba want to continue to push forward for more changes. I believe the Conservative Party wishes to push forward for more changes. I don't believe they are happy with the present proposal either.

So I believe there is enough logic and reason for us to continue our effort right into the presentation of a brief before the Standing Committee of the House of Commons, recognizing, of course, yes, that there is some redundancy and some major changes that have been already made, which people that presented briefs to us were not aware of at the time that they were making those presentations. I still believe that we should press ahead and extract more change to the advantage of Western Canada to the extent that we're able to do so.

Now, I appreciate again the fact that the Conservative caucus may have not had an opportunity to peruse this document, and if it's the wish of your group to want another day, I have no problem with that. I think that's fair. We circulated this document in advance yesterday in order to better equip the opposition on the position that we are taking. In other words, better inform them at least early enough so they might be able to analyze it and make whatever suggestions they wish. If the time has been insufficient, I see no problem in convening again tomorrow at 2 o'clock in the afternoon to finalize the work of this committee. I think that's acceptable.

MR. J. DOWNEY: Mr. Chairman, we're really discussing and debating a process here, and I think that what the member is trying to get across, the Minister is saying that, we, as a committee, should now move to a next phase. The next phase, as I understand, our directive from the Legislature was to assess a resolution to present it to the public to have hearings on that particular resolution, which at that point was an assumption of what was going to be taking place in Ottawa, so to speak, and that we were to come back and report what the public had told us in that situation. I think that is our mandate.

We go to the next step, which the Minister is now suggesting that we should press ahead. I think, Mr. Chairman, again going back to the purpose of the committee, what it was established to do, and I want

to deal with the other point the Minister made, that it was an effective process. We were still having the hearings, Mr. Chairman, and had not reported when the Federal Government, in fact, had made change, and I think that the Minister is taking a lot of credit for having influence or affected that change without having even reported what the public of Manitoba farm community wanted, or were suggesting.

It's a nebulous kind of a situation that we've been in from Day 1, from the beginning of these hearings, and I think we have certainly wasted, to a large extent, the taxpayers' money in the whole process that we've been in. There's no question about that. I think we've had a hearing on something that we had no firm statements coming out of Ottawa other than a possible proposed legislation.

We are now seeing in the House of Commons some tactical efforts being put forward by the one opposition party and basically by both opposition parties. It's happening right now. I would think that a very brief summation of the current situation would be about all we could do to present to the Legislature and to get into a lot of detail, to try and say that the public of Manitoba now favour something different; we're only assuming that is the case, and to be of any meaning you'd almost have to have the hearings over again to find out what the current situation is, and that's where I'm having the difficulty, Mr. Chairman.

Maybe I'm a little bit out of order in getting into the next phase, but I have to say at this point we can't certainly support what has been tabled here until we have that opportunity and the Minister has agreed to delaying it. I would suggest we would like to do that. We are prepared to deal with it now, but I think a very careful assessment would have to be made by this committee on what the kind of thing we're going to be reporting back to the Legislature on as it is currently taking place. Maybe my colleagues have something further to add.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Thank you, Mr. Chairman. Well, firstly I'd like to thank the Minister for distributing copies of this yesterday afternoon. However, I think I have to indicate that I could not accept dealing with this particular document today, and I feel that attempting to deal with it tomorrow really doesn't provide the adequate time either.

I'm quite disappointed with the basic tenure of the document. I certainly accept some of the facts as presented, but I think that our Caucus as a whole would want some fair time, and I'm saying more than one day, particularly when we have an early sitting tomorrow morning, to deal with this particular issue.

I think had the comments on the paper reflected, in my view, a little bit more accurately many of the comments and the conclusions offered to us by the witnesses, then I think we could act a little bit more quickly. But at this particular time I feel bound to really take this back to the Caucus, and I'll be quite honest with you, I will argue strongly amongst our group that we cannot accept it in its present state.

So I will therefore then ask that some date other than tomorrow be set to give us the proper time to do that.

MR. CHAIRMAN: Mr. Santos.

MR. C. SANTOS: Mr. Chairman, it demanded of this committee to hold hearings out there and hear the farmers' view and then present it to the Legislature. Then suddenly the situation has changed in that those views are no long relevant to what Ottawa is doing. It is still the function of this committee to report what it is mandated to do. What it's mandated to do is to take the views of the farmers to present them to the Legislature. If has done exactly what it is mandated to do, it has done its function, and then it will be on lap of the Legislature the next step what to do. That is the proper procedure.

MR. CHAIRMAN: Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, I have a bit of an advantage over my learned friend from Pembina in that I've just held a caucus meeting and I think . . .

MR. CHAIRMAN: The Member for Morris.

MR. H. CARROLL: The Member for Morris, yes - that I've just held my Caucus meeting and I feel that — (Interjection) — a good meeting. It was unanimous. I feel that the report does fairly represent what I was hearing at the hearings. I think that it's as accurate as could be. There's no report that's going to come out that I'm going to agree with 100 percent, but I feel that we have to present a report to the Legislature, that is our mandate as the Member for Burrows indicated, and I would feel that I could support the report as it now stands.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Yes, well gentlemen I said earlier that I have no problem in extending time, keeping in mind that we want to be in a position to appear before the Standing Committee of the House of Commons. With that constraint I think we can agree on an early meeting next week. That should give ample time for members opposite. I don't know what the meeting dates are for other committees. Obviously, we may not want to be in conflict. What are the days that are open? How is Monday?

MR. CHAIRMAN: For the information of the committee, the dates selected next week are May 31st for Public Utilities and Natural Resources on Manitoba Hydro. That's Tuesday, May 31st, and Thursday, June 2nd, Public Accounts, to continue the Provincial Auditor's Report and the Public Accounts.

HON. S. USKIW: Is it acceptable - Mr. Chairman, I throw a suggestion out that we agree to meet on Monday, because we know we can't meet on Tuesday, Wednesday and Thursday. That takes us into Friday. I suspect that the House of Commons will have completed second reading before that time, so we don't want to pre-empt our committee's opportunity to appear before the Commons Committee. There has to be some flexibility there. Perhaps, members would want to respond.

MR. CHAIRMAN: Mr. Uskiw, before I recognize Mr. Gourlay next, I would point out that we are meeting this morning in Standing Committee of Agriculture while a Standing Committee on Economic Development is meeting. So I'm not sure that committee meetings being scheduled for Tuesday, May 31st, and Thursday, June 2nd, precludes our meetings. It would be a question, though, of ensuring that there are not conflicts between the memberships of the two committees. There may be members on both sides who have interests in the other committees.

For example, I am Chairman of Public Utilities and a member of Public Accounts. I know that Mr. Orchard is also a member of Public Utilities and has been participating in the consideration of the Hydro Report. So there may be some juggling that has to take place, but I don't think it precludes a Tuesday or a Thursday meeting.

Mr. Gourlay.

MR. D. GOURLAY: Thanks, Mr. Chairman. Some of the thoughts I had have been addressed. However, I would concur with my colleagues that have spoken ahead of me with respect to this report that I'm not in a position to assess it at this time. I think we need to discuss it before our caucus. At the present time, I think the earliest we could - our caucus meeting is scheduled for Wednesday.

However, that would make Thursday probably the earliest we could meet. It has been suggested perhaps in the evening might be an opportunity, too, as well as perhaps during the day on Thursday. But I think that we have to complete our mandate, as the Member for Burrows had indicated, and take that back to the Legislature and then seek further mandate, if that is the wish of the Legislature.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I apologize for missing the first few minutes of discussion, but I don't think we can, as the Conservative portion or membership of this committee, meet any sooner than possibly Thursday. Maybe we could arrange it Thursday morning at the same time as the Public Accounts Committee. I don't believe any of our members are on the Public Accounts Committee.

I would only point out that, you know, the Minister has expressed a certain amount of urgency in wishing to get this report approved by this committee and presented to the Legislature. I would point out with all due respect, Mr. Minister, that the last hearing was on April 27th. It is now May 26th. You have taken, with all of your staff and expertise, one month to draft this document which we received approximately 2:30 yesterday afternoon. The imposition of time that you have and are suggesting that we must abide by is something that, I think, in all fairness, we cannot meet. We have to discuss a number of things that are part and parcel of this, that we have some serious questions about, in terms of the recommendations, and I would suggest the earliest that we could meet as a committee, as the Progressive Conservative membership of this committee, is probably on Thursday. That request of seven days to consider this report, I think, is fair and

reasonable on our part and would not unduly delay the proceedings of this committee and the ultimate goal of a report to the Legislature.

HON. S. USKIW: I wonder, Mr. Chairman, whether we can solve the problem by agreeing to a condition on a Thursday meeting, and that is, that we have confirmation from Ottawa that we will have an opportunity to appear before their committee after Thursday. So if that condition is acceptable, then I would agree to Thursday. If not, I think we'd be subject to the call of the Chair. If we can agree on that - Thursday, or the call of the Chair - depending on whatever instructions we receive from the House of Commons, I think that would be acceptable to us.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, that's not agreeable, because we are our own masters. We're not going to take direction from Ottawa, and as has been pointed out, and I thought I had done initially, that our job is to report back, even though it is redundant to some degree, as the Member for Burrows, and my colleagues have indicated, is to report back on what we heard to the Legislature. Any further direction has to come from the Legislature. If, that is, in fact, what the Minister wants to do, then he's in government, he can proceed to do that. But I do think, my colleagues, there's a general agreement on our side, from what I've heard, that we do only have the opportunity to full caucus it next Wednesday, which we are going to do, and proceed to meet again on Thursday morning just to complete and deal with the report that we have, Mr. Chairman.

HON. S. USKIW: Mr. Chairman, I think the Member for Arthur would want to reflect on his position a wee bit. I don't think that he would convince himself, if he had it thought through, that the people of Manitoba would want us to be in limbo on this issue, just because the Federal Government has altered their position somewhat. I would still believe that the people of Manitoba want us to play an active role, and indeed this committee. Therefore, I would think it follows that we would be irresponsible if we weren't willing to meet the deadlines that are set for us by the Rules of the House of Commons, with respect to opportunity to present our position to the Standing Committee. To miss that kind of an opportunity would indeed be irresponsible.

I believe the people of Manitoba want us to be there and they want us to make whatever views we conclude are representative of Manitoba opinion to that committee, and I know that we can't represent all of the opinions out there, but we have collected a lot of information and we take into account the changes that have been made in Ottawa, and notwithstanding all of the arguments that have been made here on whether this issue is now redundant or not - I don't accept that it is - I don't believe the terms of reference are redundant, I think we want to take it to the final step.

I believe it's very fair on our part in suggesting to members opposite that, yes, we will give them as much time as they need, providing we are still in a position to make a presentation based on this committee's work

to the House of Commons Standing Committee, and if we have assurance from the House of Commons that that opportunity will be there after Thursday, then I have no problem in having a Thursday meeting here. But, if we are told that we must appear before Thursday, then I suggest that the call of the Chair will rule on when we meet, and we will have to make the best of that. You know, we control our Assembly, and I agree with the Member for Arthur on that point, that the House of Commons controls their timetable, and if we want to impress them, we have to be there when their timetable dictates it, the same as the public has to be here when we dictate - dictate is the wrong term perhaps - but when we establish meetings with the public and make their views known. It's a process that we all accept, and we should accommodate that process.

MR. J. DOWNEY: Mr. Chairman, the Minister is trying to say now that we have to rush as a committee, as an opposition. Members of this committee all at once ram this thing through and meet somebody's schedule, when my colleague from Pembina very ably pointed out that we've been a month waiting for the kind of report that has been put together, what could have been done quite some time ago, and what we are saying, we are trying to accommodate the committee, as an opposition caucus to deal with it in a responsible manner, and I don't think there is any debate on that and there shouldn't be. We are not holding it up, we are moving as rapidly as possible. If that is part of his report, and we'll be able to deal with that when we set the time to deal with report, which we've agreed to do next Thursday, and if there is something in Ottawa that changes that, then I think the Minister could proceed to find that out very shortly.

As he has indicated, if there are difficulties with that, then as far as reporting to the Legislature on the next step and meeting with the House of Commons Agricultural Committee, or the committee that's going to be handling this, then that should be part of the report as a recommendation, because of the change.

But dealing precisely with this report, Mr. Chairman, we agree that next Thursday we could do it, and if the Minister has further information that at this point would help change that decision, more firm information, which we haven't got, then we'd appreciate it. Otherwise it's next Thursday.

MR. CHAIRMAN: Mr. Santos.

MR. C. SANTOS: Mr. Chairman, if this report truly reflects what the farmers had said in terms of the information they gave and the values they expressed, the report will contain only two categories; the valued premises and the factual information that they had given. I do not understand what any member of this committee, or all of us members, can add to what the farmers have said, unless, of course, what the farmers had said has not been truly reflected in the report.

MR. C. MANNES: That's exactly what we're saying. You've got it, you've got it, Santos. You've got it!

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, I want to make one point clear and Mr. Downey keeps alluding to the

need for further instructions. It is our intent that the committee will make a recommendation that will flow as a committee recommendation directly to the House of Commons Standing Committee. That is our intent, and if members want to discuss that, that's fine. We don't believe that we need another directive from the Assembly as to what we do in the House of Commons. I think we've got the benefit of public input, and we are going to proceed to that stage as a recommendation of this committee.

MR. C. MANNES: Well, Mr. Chairman, the Minister made comment that, you know, it was incumbent upon us to present quickly the views of Manitobans to the Crow process in Ottawa, and I feel it's also incumbent upon us to reflect best the accuracy and the wishes of Manitobans. I think we're asking for one week to put our input, subject to the wishes of this committee, into this particular document. I don't think that's unfair.

Secondly, the mechanics associated with appearing before the standing committee, maybe the Minister can tell me what he envisages as the process through which this House is going to direct this report to be presented to Ottawa, firstly; and secondly, maybe he can tell us specifically who will be presenting, given that this House decides it should be presented? Who will be making the presentation to the standing committee in Ottawa? Has he thought that far forward?

HON. S. USKIW: Well, Mr. Chairman, I think perhaps that is an item that we will discuss at the next meeting as to the format and who will be there. Obviously, that has to be determined by the position that is taken by members of this committee. We leave that as an open question at the present time.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, there is only one thing that I still have some concern with, and that is the Minister wishes to have the ability to call this committee back at the call of the Chair. That could happen tomorrow, if his information . . .

HON. S. USKIW: That's possible.

MR. D. ORCHARD: And that is not acceptable because as I've pointed out the Minister with a very competent staff took four-and-a-half weeks to develop a report that he gave to us 20 hours before this committee met. Now, I don't think any reasonable person would say that is enough time for members of the committee who were not part - and I'm speaking of our four members from the Progressive Conservative Party, from the opposition - I don't believe any . . .

HON. S. USKIW: Mr. Chairman, a point of order.

MR. CHAIRMAN: Mr. Uskiw, on a point of order.

HON. S. USKIW: The member did miss the introductory comments, and we did agree at that time that, yes, it may be that the time is insufficient for members opposite, and yes, we do agree that we would want to give them more time. So, let's not go over that debate

again. We had agreement on that point. It's a question of, do we respond to any limitation on the part of the Government of Canada as to timing? That's the only suggestion I make, that if there is a limitation there, I suggest the Chair be empowered to call this committee based on that information.

MR. CHAIRMAN: Well, Mr. Orchard, if I may to clarify the thing, and I appreciate Mr. Uskiw's comment, although it was more of an explanation rather than a point of order. My understanding of the process in Ottawa, for members on both sides of the committee, is that although Second Reading has not yet been achieved, every attempt is being made by the government majority to get Second Reading as soon as possible. The committee process in Ottawa will probably take beyond that a fairly lengthy period extending into one or two weeks. So, we do not necessarily have an assurance that it will not, by government majority, be shortened to a very short period, and that is their prerogative under the Rules in Ottawa.

The Standing Orders provide that hearings can either be wide open or very constrained, and I don't know if members are aware of that, but those are the Rules there, and that is the situation, I believe, the Minister is addressing. I think it is highly unlikely that if the committee decides it wishes to make a presentation to the House of Commons Standing Committee, that it will be forced by circumstances to make that presentation before the first or second week of June.

I think the opposition are quite correct in that assumption, but I think the Minister is looking at the possibility . . .

HON. S. USKIW: Remote possibility.

MR. CHAIRMAN: . . . and it may, as the Minister now suggests quite remote, the possibility that there may be constraints placed upon this committee's ability to make a presentation by the government majority in the committee in Ottawa.

Mr. Orchard.

MR. D. ORCHARD: Well, okay. I fully appreciate everything that's being said today. I would suggest that the Minister communicate to the Federal Government that: No. 1 - the Government of Manitoba having undertaken these hearings wish to present a position to the Standing Committee on Agriculture in Ottawa and that we wish to make that presentation, and let's target a week and half, hence, and let them know that is the time constraint we're under. What is happening here is that the opposition is being caught between the double majority squeeze. You're saying you're caught with the Ottawa time limit. We're saying that 20 hours is not an adequate time frame to deal with this report.

There are issues in here and we cannot properly present four people, the position of four members of this committee, with anything less than next Thursday's meeting. That's all I'm saying, and the call of the Chair could come tomorrow and we will not be able to adequately reflect the opposition views on this committee.

Now, if that's what the government wishes, they can call the committee tomorrow and use the excuse that the federal timetable requires you to do that, but that simply we can not deal with the report that quickly.

MR. CHAIRMAN: Mr. Orchard, if I may, that's a reflection on the Chair, however subtle it may be.

It would not be my intention to call a meeting of the committee prior to next Thursday if the committee agreed to Mr. Uskiw's suggestion without first being in contact with the Clerk of the Standing Committee on Agriculture in Ottawa; and secondly, then consulting with members of the opposition. I would not do so without mutual consultation between both groups on this committee and their agreement. You have my word on that. — (Interjection) — Absolutely, I would not call a meeting of the committee prior to next Thursday under the proposal Mr. Uskiw made without agreement of both groups, after having informed both groups of the time exigencies of which I became aware after consulting with the Clerk of the Standing Committee in Ottawa. To suggest that I would do otherwise is to suggest that I would abuse my position as Chair, and I can assure the committee I have no intention of doing that.

Now, is there further discussion on Mr. Uskiw's proposal?

Mr. Plohman.

HON. J. PLOHMAN: Yes, Mr. Chairman, I think the position that you're putting forward and the Minister has put forward is eminently reasonable. I don't think anyone's trying to pull a fast one. No one is trying to push the opposition. You have effectively a week unless there's something that happens that's beyond our control, and then there would be a commitment to consult with the opposition and have their agreement before the meeting was called. I don't think anything can be fairer than that.

We have no intention of trying to pull something, as was suggested by the Member for Pembina. I don't think that is fair that he is suggesting this.

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

MR. D. ORCHARD: Mr. Chairman, I wish the Member for Dauphin would reconsider his remarks. I at no time indicated you were trying to pull something. I said the opposition was caught between the desires of two majorities, one in Ottawa, one in Manitoba that are asking for the right to have this committee meet prior to Thursday if circumstances dictate.

I simply put on the record that that is beyond the capability and time and scheduling for the opposition to comply with. I made no suggestion that the government was trying to pull anything. The Minister has made that suggestion that they're trying to pull something by using those words.

MR. CHAIRMAN: I believe the Minister that Mr. Orchard was referring to was the Minister of Government Services.

MR. D. ORCHARD: Right.

MR. CHAIRMAN: I think the Minister of Government Services will take the comments of the Member for

Pembina as a true statement of what he indicated earlier. I never heard him suggest that anything was trying to be pulled.

I think that the temper that the committee is now obtaining is not going to lead to us resolving this matter and we've spent 45 minutes really trying to decide when we will meet again. There may be some other matters we want to discuss. I'd appreciate it if members would draw their remarks to the proposal made by the Honourable Minister so that we can then get on with other matters related to our report.

Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, I appreciate that and I certainly think the tone is not one of confrontation that we want here. I think I gathered the inference was there, and of course it wasn't said in so many words. I certainly won't withdraw that was my feelings, my impression, and I certainly have a right to state my impression.

However, I think it's quite clear from what has been said by both the Minister of Transportation and the Chairman that there is a reasonable position being put forward. I think we should support that position, give the opposition a week. We've got to remember they also had a month to consider their position as a result of these hearings, and to reflect on what kind of a position they would want to take when they came to report stage. I think that shouldn't be forgotten as well.

They have a caucus position. They certainly have that position as a result of both the hearings and perhaps as a result of other discussions they've taken previously. So I think that is important, Mr. Chairman, to remember as well. A week certainly is reasonable.

I would ask that the opposition consider that. We certainly don't want to get in a position where we can't put forward these views. After all, I think we all stand with the same objective and that is that we want to see the best deal for Manitoba and Manitoba farmers as a result of what is being proposed in Ottawa.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I would like the Minister of Highways and Transportation to restate what the proposal is so that I'm clear on what his proposal is.

HON. S. USKIW: Yes, Mr. Chairman.

I propose that the committee meeting be set for Thursday next to finalize this committee's position, to empower this committee to make that position known to the Standing Committee of the House of Commons, and to the Legislature. And that should the timetable in the House of Commons dictate that we have to meet earlier that the Chair make that determination and the Chair will convene a meeting at an earlier date if necessary.

MR. J. DOWNEY: The Minister is adding something in there that is not acceptable - that we present it to the House of Commons Standing Committee. We have not got that mandate as a committee. Our mandate is to report to the Legislature.

MR. CHAIRMAN: Mr. Downey, on a point of order. May I take the Chairman's prerogative then to divide the

questions that we resolve one question at a time, and set aside the question of what we are going to do with our report, and first decide the question of the next meeting, and then move on to the next question of what we do with the report. Is that agreeable Mr. Uskiw? Is that agreeable Mr. Downey?

MR. J. DOWNEY: Mr. Chairman, I stated what our position was, that we are prepared to meet next Thursday after we have given it full Caucus consideration, and deal with the report of the Standing Committee on Agriculture to report back to the Legislature. That is what we are agreeing to and nothing more.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: I think we can also agree at that time of that meeting that we can consider whatever else the committee wants to consider at that particular time, Mr. Chairman. If that means that we want to consider what to do with the report, that is also a prerogative of the committee to decide at that time.

MR. CHAIRMAN: Is there further discussions?
Mr. Downey.

MR. J. DOWNEY: I'm just going to repeat what I said, Mr. Chairman. We agree that this committee sit next Thursday to deal with the report as we've been directed to report back to the Manitoba Legislature. That's what we are agreeing to do, period.

MR. CHAIRMAN: Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, at this point there is no problem whatsoever. The Chairman has undertaken to get full agreement from all members of the committee before we would call a special meeting. We don't need to go to that stage then. If that's what he's prepared to do, then we just have to accept Mr. Downey's resolution, and that obviates any problem, because if the Chairman wants to call something sooner, he's going to have to have unanimity. So I don't see any problem. I can accept the suggestion as Mr. Downey has set it out.

MR. CHAIRMAN: Is it agreed we will meet next Thursday, at 10:00 a.m., and that if, by special circumstances, an earlier meeting is required the Chairman will consult with members on both sides of the committee, not necessarily with every single member of the committee, but with both sides represented on the committee to select an earlier date if that's required by circumstances?

MR. H. CARROLL: Call it three sides.

MR. CHAIRMAN: Three sides.
Mr. Downey.

MR. J. DOWNEY: No, Mr. Chairman. I cannot agree to that because we have to, as I said, have a full caucus discussion on the committee report that we have had presented to us, and we cannot abrogate that responsibility in going prior to that.

I'm sorry, Mr. Chairman, our time schedule, because of the way the government, and I shouldn't have to say it because they've been cramming everything to this part of the Session, have a very limited amount of time to deal with the kinds of committee meetings that are being scheduled and I think we're accommodating them by sending it as quickly as we have.

The Member for Dauphin, who makes reference to the fact that we should have our report ready, if we'd be in government, we'd have had a lot more things ready and things wouldn't been in near the shambles they are now.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, just a clarification on a point of order. I did not say they should have the report ready, I said they have their position on this issue.

HON. S. USKIW: Mr. Chairman, I move that we put the question.

MR. CHAIRMAN: I'm not completely clear on what the question is. I believe the question is that we meet next Thursday, subject to the call of the Chair, in consultation with all parties. I take it from that question, if it were to pass, that if the Member for Arthur, speaking for his caucus, were to say - regardless of what happened - that an earlier meeting was impossible, that I would not call such an earlier meeting.

HON. S. USKIW: Mr. Chairman, that is not my motion.

MR. CHAIRMAN: Okay.

HON. S. USKIW: My motion is that the meeting be scheduled for next Thursday, subject to change if the requirements of the House of Commons are such that we would have to meet earlier and that that be determined by you, Sir.

MR. CHAIRMAN: Mr. Santos.

MR. C. SANTOS: Mr. Chairman, I think the Minister's position is reasonable. There is a consensus that we meet on Thursday. The Minister's only hedging that a very unusual circumstances may happen, which is very remote. Not to provide for such a possibility, no matter how remote it is, would be irresponsible, because then it would have lost all its function, what the committee had done all across — (Interjection) — unless it is heard by Ottawa. The mandate says to enquire into matters relating to Western Transportation Initiative proposed by the Government of Canada. Implicit in that, is that the Government of Canada will receive some input from Manitoba.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I understand the motion has been put and the Minister has called for the question. I have to say that we have agreed to meet next Thursday, and I'm not changing our position,

because to my knowledge we will not have an opportunity because of the scheduling of the meetings and of caucus, and it's a process, I think, that every member of the public would understand, that every member of the caucus should have an opportunity to respond to the report, so that we can truly reflect through the democratic system. Then, Mr. Chairman, we will only support a portion of the motion that would have us meet next Thursday.

HON. S. USKIW: Question.

MR. CHAIRMAN: All those in favour of the motion proposed by — (Interjection) — There's been a motion for the question. Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, I was wondering if the Minister would be kind enough to remove the last clause from his question. The Chairman always has the opportunity of calling the committee together by consent. He can do that, in any case, and I would think we could have an unanimous motion if we moved it to next Thursday, and the Chairman can do what he has to do over the course of next week.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, the problem I have with that is that if one requires consent then that determines that either side has a veto on the question. If the House of Commons procedures are such that our time is further constrained from what it is now, then in essence we will become impotent with respect to our ability to make our position known to the House of Commons Standing Committee if we allow veto power to any group of this committee. So veto power is not acceptable in order to meet the remote, but potential time constraint that may arise. I don't believe it will, but we can't take the risk that it won't.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, in other words, the Minister is suggesting that we do not give all the members of the Legislature, particularly in the opposition party, the opportunity to fully assess the proposal that was put forward if the House of Commons Committee is called prior to the opportunity for us to have that meeting.

HON. S. USKIW: Maybe you have to get your act together sooner.

MR. J. DOWNEY: Well, Mr. Chairman, the Minister makes a comment from his chair suggesting we have to get our act together. We have our act together. We know what we're doing, Mr. Chairman, and want to do it in a proper manner. But to be hustled, and I say hustled into a meeting of which I'm sure a lot of our caucus would not be able to attend, because of other commitments that have been crammed on them by the Legislature, government committee hearings, and Estimates and other committee meetings, Mr. Chairman, I'm sorry, they're very much mistaken. It's their responsibility and their mismanagement that has put

this committee in this situation, not ours. We know how to deal with it. We will - and I've told you what we've agreed to - meet next Thursday, and that's what we'll agree to.

HON. S. USKIW: Well, Mr. Chairman, I don't want to leave on the record the idea that somehow there's been any foot-dragging on the part of the government in putting its report together. I think that it's acceptable and it's real, the fact that we - yes, we're wanting to see what was taking place within the Government of Canada before this committee met again.

We now have that opportunity, based on the legislation that was tabled in the House of Commons, and the debate on second reading that has ensued since. This committee can perform much better, based on that information, and it would have, had we met prior to that.

So we believe it's in the public interest, certainly in the interest of the Manitoba farming community, that we muster the greatest amount of intelligence on the issue before we take a final position. So I don't accept for one moment the argument that the delay or the time that it has taken, to put together this report, that it was somehow irresponsible or foot-dragging, but rather that is most responsible, because we are now in a much better position to know just what the parameters of this discussion are, given the fact that the legislation is before the House of Commons.

MR. CHAIRMAN: Are you ready for the question? Mr. Plohman.

HON. J. PLOHMAN: Yes, I don't think that there's any problem with the Chairman seeking agreement from the opposition before a meeting is called, Mr. Chairman, because if they decide not to have the meeting; in other words, not to co-operate with holding the meeting earlier if it is necessitated by the schedule of the House of Commons, which we have no control over, then they simply have to answer for that to the public of Manitoba and if they're prepared to do that, that's fine. So, I think the responsibility is there. They will be responsible. The opposition certainly will be if the Chairman goes to them and tells them the situation and asks for an earlier meetings. So I don't think there's any problem with having that veto power, as such, if that's indeed what we would be agreeing to if we agreed to this motion as it stands right now.

However, I don't know if that is the motion right now and I'd like to hear from the Minister exactly what the motion is that he's proposing.

HON. S. USKIW: Mr. Chairman, we recognize that there may be different positions on this issue emanating from the elected people of Manitoba. If there are going to be different positions, and if they are going to be so different, the opposition doesn't want to be associated with the presentation that the government members of this committee make to the House of Commons Committee, then what we are opening up for the opposition is veto power to appear before the committee at all. — (Interjection) — Oh yes. That would then hand over the tools of veto for members of this committee, that would make this whole committee

impotent with respect to its ability to appear before the Standing Committee of the House of Commons.

My motion was, and has to be, Mr. Chairman, for reasons that were stated, and that is the remote possibility that we might be rushed. I don't believe we will be rushed; I believe we will meet next Thursday. I'm merely putting in that caveat in the event that the Commons Committee decides - not the Commons Committee - the majority Government in Ottawa decides, according to their Rules, that they will limit the days of presentations on the bill before the House to two or three days, and they may do that under their rules, which would not give us an opportunity to appear before them if indeed we had veto power on the part of either side. Well, the government obviously has, but if we gave veto power to members opposite on whether or not we can have a meeting. So my motion stands, Mr. Chairman.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: The decision to meet next Thursday, in my view, has nothing to do with Ottawa. Nowhere in the resolution . . .

HON. S. USKIW: That's your view.

MR. C. MANNES: In my view, I said that.

HON. S. USKIW: In my view, it has.

MR. C. MANNES: Nowhere in the resolution is it spelled out as the mandate that we were to fall into the path of a schedule in Ottawa. Consequently, the decision made here is when next this committee meets and prepares to report back to the Legislature. That is our mandate, as I understand it.

MR. CHAIRMAN: Are you ready for the question? The question before the committee is that this committee meet next Thursday, June 2nd, at 10:00 a.m., or earlier at the call of the Chair if the timing of committee meetings in Ottawa necessitate such an earlier meeting.

All those in favour of the question, please raise your hand.

MS. CLERK: Five.

MR. CHAIRMAN: All those opposed.

MS. CLERK: Four.

MR. CHAIRMAN: Gentlemen, as your Chairman, I have to advise the committee that I will still feel compelled to consult with members on both sides of the committee before I call a special meeting. I would not be prepared to call that special meeting unless members on both sides clearly understood the implications of that situation.

HON. S. USKIW: Fair enough.

MR. CHAIRMAN: Further business before the committee, Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, prior to our meeting on Thursday, could the Minister and his staff provide references to which briefs that we heard during the hearing process led to the inclusion of the comments contained at the bottom of Page 6, the top of Page 7, approximately the last paragraph of Page 6 and the first three paragraphs in Page 7? We would appreciate the briefs that are summated in this overview of hearings and presentations to the committee. Which brief presented the consideration of Carl Snavey's?

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I don't believe that is the role of this committee. The members opposite have their own research ability. The presentations that were received were public information. The members opposite, the research capacity they have will readily find them that information.

MR. D. ORCHARD: Mr. Chairman, in perusing the briefs, we find no brief that made reference to Carl Snavey. Our research says it wasn't there. If the Minister has the staff and the research to show us that one of the farm groups, farmers, or individuals referred to Carl Snavey, which led to the inclusion of those four paragraphs, we would like to reread that brief to assure that those four paragraphs accurately reflect a public opinion view by more than just one single individual, because we listened to - how many briefs? - 50-some briefs. We would like to know which brief that comment came from. Our research cannot determine which brief. I would just like to have that brief. We cannot find it.

We would like the Minister, who obviously has staff that researched the briefs and found those references, saw them to be important enough to include in this summation, we would like the Minister's staff to simply refer at next committee which brief this was contained in.

HON. S. USKIW: Mr. Chairman, I believe what the member is doing is mixing apples and oranges. The reference to Snavey here has to do with a quote of Snavey's on the opinions of various farm organizations in the country.

MR. CHAIRMAN: Order please.

HON. S. USKIW: It is very clear that's what it is. It is not suggested in this document that that is a brief that was presented. It's a quote from the western producer, Mr. Chairman.

MR. CHAIRMAN: Further discussion.
Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I believe that it would be in order for me to formally table this document as a public document for the record.

MR. CHAIRMAN: The report then which was distributed yesterday in draft form is now tabled before the committee and available for public distribution.

Is there any further discussion about the business of the committee prior to its meeting next Thursday? Seeing none, committee rise.

BRIEFS PRESENTED BUT NOT READ

Clerk of the Committees
Room 251 Legislative Building
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8

ATTENTION: Mr. A. Anstett
Chairman, Standing Committee on Agriculture

Dear Sir:

We would like to address two points raised in questions as a result of our presentation to your committee in Brandon on April 21, 1983.

1. *Branch Line Rehabilitation in Manitoba*

Of the federal funds allocated to this program, \$53.9 million will have been spent in Manitoba to the end of 1983. This includes \$13.4 million to be spent in 1983.

It should be pointed out that these represent expenditures on CN Rail lines only. There are also similar programs on going on CP Rail lines.

2. *Revenue Impact of New Commodities to Crow*

This refers to the section on Page 21 of our brief dealing with the revenue impact of including canola meal and oil in the list of commodities eligible to move under statutory rates. We appreciate this section, as written, is confusing and as a result we have decided to eliminate it from our revised brief.

The point we were making is that as a consequence of the interim payment method, the railways will be required to refund the difference between the minimum compensatory rate (MCR) applicable today on these commodities and the current crow rates.

We are also concerned about a situation where commodities are added to the list of eligible commodities with no corresponding increase in the base year volumes used to calculate railway revenue requirements.

In addition to eliminating the section on Page 21 of our brief, we have also added a sentence to the section dealing with the Federal Government commitment to branch line rehabilitation on Page 13. This sentence illustrates the amount to be spent in Manitoba to the end of 1983. Attached are to copies of the revised brief.

Yours truly,

P.V. Gosman
Manager
Grain and Grain Products

**CN RAIL SUBMISSION
TO THE
STANDING COMMITTEE ON
AGRICULTURE
MANITOBA LEGISLATURE**

INTRODUCTION

CN Rail welcomes this opportunity to comment on the proposed changes in grain transportation and their effects on Manitoba.

This brief will discuss the dilemma of western rail transportation; the need for massive investment to increase capacity in the face of growing traffic demand, while being unable to finance that investment. We wish to explain what the Western Transportation Initiative means to CN Rail and Western Canada, describe how the new arrangements for grain transportation would work, and mention some elements that are of concern to CN. Finally, this brief will address the specific concerns expressed in the March 16, 1983, resolution by the Manitoba Legislature.

For the Canadian railway industry, this is a crucial and timely initiative. Our interest is obvious, and our need is absolute. With anything less than the changes being proposed, we could not meet our responsibility to maintain an adequate and efficient transportation system for Canada.

CN Rail sees Crow change as a key to Western Canada's economic growth in the Nineteen Eighties and beyond. Certainly, "the Crow" was one of several key policies put in place around the turn of the century to encourage the rapid settlement and development of Western Canada as one of the world's major breadbaskets. But today it inhibits the continued growth and development of the West.

Changing the Crow will allow necessary rail expansion to proceed. This will ensure that the rail system has adequate capacity for Canada's exports, and it will also provide the immediate benefits of economic stimulation and more jobs for Canadians.

**2. THE DILEMMA OF WESTERN
TRANSPORTATION**

For the railways, Crow change has become a survival issue. The Western rail system is near the limits of its capacity. Hopes for economic growth in the eighties, even set back down by the current recession, far exceed the railways' carrying capacity. Major capital investment is needed to sustain and expand railway capacity. Of the \$10-11 billion total projected capital spending by the railways over the decade, fully 70 percent will have to be spent on Western Canada's rail system.

Grain has a critical role in railway expansion, both in physical and financial terms. It was 24 percent of CN Rail's workload in 1982 - by far the largest-volume commodity - but grain revenues do not cover the cost of the fuel burned and crew wages paid to carry it. As a result, CN Rail's loss on grain transportation was almost \$300 million in 1982, even after allowing for grain line subsidies, and continues to grow.

Despite the economic disincentives, we're proud of our recent performance in moving grain. 1981-82 was a record year for grain movement, with a volume 70 percent higher than a decade before. We expect a new record - as much as 10 percent higher - to be set in 1982-83.

Ironically, one of the major factors that allowed us to reach this level is the traffic decline in other major western commodities, caused by the current recession. With less traffic flowing overall, both equipment and line capacity have been available for grain transportation. We do not expect this situation to continue as Canada works its way out of the recession. As this happens, we will not be able to maintain our existing levels of grain handling, let alone participate in growth.

Capacity. The capacity limits of a single track railway have now been reached, or nearly reached, along the entire western main line west of Winnipeg. The need for double track is particularly urgent between Edmonton and Vancouver. Major plant improvements are also necessary on the single track B.C. North line to Prince Rupert. Within five years double track work will begin again in Manitoba, along the main line west of Portage la Prairie, through Saskatoon.

Throughout the Nineteen Seventies, CN Rail has dealt with western growth by a program of improvements to increase the capacity of its operations. This has meant larger cars and longer trains. Giant unit trains, moving from coal mine to port and back like thousand-mile conveyor belts, have become a common sight in Western Canada. Between 1975 and 1979, there was a special program of plant improvements which cost \$255 million. Under this program signalling and communications systems were upgraded, longer sidings were built, and other work was done on the roadway.

In some areas, double track has already been necessary. Since 1980, in fact, CN Rail has spent \$200 million to double track key line segments across Western Canada. The money had to be borrowed, and interest charges in 1983 will amount to \$34 million.

In Manitoba over the past decade, CN Rail has already installed 70 miles of double track (including 50 miles between Winnipeg and Portage la Prairie, Canada's most heavily-travelled rail line), extended 37 sidings, and completed major upgrading programs at the Symington and Rivers Yards. On the line between Winnipeg and Thunder Bay, signals and communications have been upgraded, and other work has been done to expand capacity. Hot box detectors have been installed on the lines both east and west of Winnipeg. About \$100 million was spent on these capital improvements to the rail system serving Manitoba.

Technology improvements also help railways deal with growing workloads. With its key location and heavily-travelled lines, Manitoba is the site of many railway innovations and developments. These include, for example, one of the world's most advanced rail traffic control systems (developed by CN Rail), and an automated hump yard operation at Symington Yard. The main computer of CN Rail's vital TRACS computer system is located near Winnipeg.

Looking ahead, CN Rail is anxious to keep up with the traffic growth in Western Canada. The double track work, estimated at \$2.3 billion which has been started must proceed rapidly for the new capacity to be ready when it is needed. Otherwise, the western rail system would quickly become congested and inefficient. Traffic rationing - a very unpalatable alternative for all parties involved - would be necessary, and it would badly affect Canada's ability to export its products.

Grain losses. Huge and growing losses on grain transportation - approaching \$300 million in 1982 for CN Rail alone - represent the most important problem facing the railway industry in Canada.

CN Rail's overall loss in 1982 was \$35 million. This is a major reversal from the previous four years, in which profits were earned. Traffic declined in all commodity groups except grain, but higher grain volume also meant higher losses. In other years, healthy traffic levels and commercial rates in other commodities have helped offset the losses suffered in grain transportation.

Whatever historical interpretation one makes of the intent of the Crow, it means mounting railway losses and has made it impossible to finance the major capital projects that are needed on the Western lines. CN Rail is no longer able to continue subsidizing grain traffic. In fact, without financial relief from grain losses, CN's ability to continue as an effective transportation company is endangered.

So the new arrangements for grain, as proposed by the Minister of Transport on February 1, 1983, will provide a timely and much-needed assist. With the promise of interim payments in 1983 and a comprehensive policy through the Eighties, CN Rail has gone ahead with an additional investment of \$140 million for capacity expansion needed this year. Our target is to complete 125 miles of double track by this fall.

Crow rate comparisons. The meaning of one dollar has changed a lot in recent decades, and everybody has had to adjust to the changes. In all parts of the economy, prices have increased over the past 50 years to reflect rising costs.

In the case of grain transportation, where this has not happened, severe economic distortions have resulted. For example, mailing the waybill for a grain shipment now costs more than shipping 100 pounds of grain.

In the grain forwarding system, price adjustments for elevation, storage and cleaning grain have been accepted as reasonable propositions because they reflected increases in costs. No adjustment has been allowed in the grain freight rate, and as a result it has ceased to have any meaningful relationship with either the cost of grain transportation or the rates for other components of the grain forwarding system.

This situation is illustrated in the table shown below, which compares railway rates with rates charged by other parts of the grain forwarding system, and shows increases between 1963-64 and 1978-79 (See table 1).

3. WESTERN TRANSPORTATION INITIATIVE

The Western Transportation Initiative is the result of a long and extensive consultative process in which all interests were represented. To reach a balanced, comprehensive solution to a complex and far-reaching problem, there had to be give and take from all parties.

A. How It Will Help

CN Rail welcomes the Federal Government's initiative. We believe it is a workable compromise, which will:

- Provide better compensation to the railways for the work they do;
- Enable the railways to continue to serve grain shippers effectively, and to make important capacity increases;
- Provide a major stimulus to Canadian economic recovery, particularly in the Western provinces;
- Replace a patchwork of partial financial assistance measures with a comprehensive long-term solution to the Crow rate problem, which will enable all grain system participants to plan with confidence for the future.

The federal initiative clears the way for CN Rail to advance major work in 1983.

Railway expansion will create employment, and by generating major economic activity, help Canada work

its way out of the recession. In 1983, CN's western rail expansion program will provide about 3,300 jobs, plus employment in railway supply industries. There will be substantial spin-off activity: basic materials such as rail and ties will be required, as well as manufactured goods. New approaches to many railway operations are being developed, and our ongoing research program will be stepped up. All parts of Canada will feel the effects of this activity. Discussions are under way with western universities, including the University of Manitoba, to identify ongoing research needs which they would be able to fill.

These are the important and immediate side-benefits to the main objective of undertaking railway expansion; ensuring that as the world economy picks up Canada will be adequately equipped to sell more of its products.

Over the planning period from 1983 to 1987, the grain resolution alone means a 73 percent increase in capital expenditures, raising the amount CN Rail can invest in plant expansion from \$2.1 billion to a new total of \$3.7 billion. This creates about 9,700 person-years of work.

B. *How the System Works*

The government's plan is a far-reaching solution to a very complex issue, which has attempted to balance many different interests. Before commenting further on the plan and on Manitoba's resolution, we feel it would be useful to describe some of the more important details.

Government financial commitments:

— *The "Crow Benefit" is guaranteed to producers.* This is a key element of the plan. The Crow Benefit is the difference between revenues produced by the present Crow rate and what it actually cost to move the grain shipped under that rate. The Federal Government calculated its value for the 1981-82 crop year (a record year, in which 31.1 million tonnes were shipped) as \$651.6 million.

— *Grain producers are protected from large increases in transportation costs.* They will be responsible only for the first 3 percentage points of cost increases until 1985-86, and the first 6 percentage points in ensuing years. The government will pay increases in costs beyond this level on the first 31.1 million tonnes shipped.

— *Branch line rehabilitation will continue throughout the Nineteen Eighties, with the government's commitment of an additional \$670 million.* This will bring the total spent on the branch line programs to \$1,072 million. In Manitoba, \$40.5 million has been spent to date, and a further \$13.9 million will be spent in 1983.

— *Up to 3,840 more hopper cars will be purchased by the government over the next three fiscal years, at an estimated cost of \$290 million.* This will bring the total federal commitment to over 15,000 covered hopper cars, worth about \$900 million at current prices.

— *Agricultural adjustment payments of \$204 million will be paid to producers over the first three crop years.* They are intended to ensure that in the transition period neither grain nor livestock producers in Western Canada are disadvantaged. These payments will total \$78.85

million in 1983-84, \$67.11 million in 1984-85, and \$56.14 million in 1985-86. The 1985-86 review by Parliament will include the possibility of continuing these payments.

— *Complementary assistance totalling \$250 million will be put into two programs.* This includes a \$175 million agricultural development program covering farm improvement, new farm technology, soil and water research, and high technology marketing assistance. There is also a \$75 million industrial development program, intended to enable industries in the West to take advantage of the opportunities presented by the railway investments and the new grain transportation regime.

Legislative commitments. In addition to the above financial commitments, the government plan provides for control over railway rates and a series of system improvements. These include performance and investment guarantees, and a strengthened transportation co-ordinating agency. Also, an extensive review is scheduled in 1985-86, to evaluate how the plan is working and make appropriate improvements.

Method of payment. The railways will receive all of their compensation for grain on the basis of the actual volume shipped. The new rates scale will show two payments to the railways for each tonne shipped: that portion paid to the railways by the government and the portion paid by the shipper.

In 1982-83 the government will pay its commitment directly to the railways. In later years, the government payments will be split between the railways and the producers in the following ratios (See Table 2).

A further shift has been proposed to phase the ratios to the 19.5 percent - 80.5 percent split recommended for the crop year 1989-90 and beyond by Dr. Gilson in his task force report. Parliament will have the final say on this subject during the 1985-86 review process.

Government payments to the individual producers will be based on the area of eligible land at the beginning of the crop year and a rating of the eligible land to reflect productivity considerations (crop mixture, average yield, soil productivity), and distance to the nearest port.

What the Producers Pays. The Crow grain rate will begin changing in the 1983-84 crop year. The amount paid by the farmers will be a blend of the following factors:

- The existing Crow rate.
- Plus the first 3 percentage points of cost changes (it should be noted that this is based on the actual transportation cost, not the existing Crow rate).
- Plus the total annual rate for moving whatever grain is shipped over the 31.1 million base year tonnes.

The government has estimated the actual amounts that grain producers could expect to pay over the next three crop years under the new arrangements. These are shown in the following table (See Table 3).

Annual rate adjustments. Each year's grain rate will be set by the Canadian Transport Commission (CTC) by April 30. It will reflect forecast tonnages and costs for transporting grain in the forthcoming year.

Every four years, a major costing review will be undertaken by the CTC, to set a new cost base that reflects productivity improvements or changes. The next major cost review will cover the calendar year 1984.

Beyond 1985-86. The government estimates that by 1991-92, if shipments increase from the present level of 31 million tonnes to about 41 million tonnes, the actual rate paid by some producers after taking account of government payments could be \$27.21 per tonne. This would cover approximately 60 percent of the real cost of moving grain, about the same percentage covered by the Crow rate in the mid-1960's.

If volume remained constant at 31.1 million tonnes, this next producer payment in 1991-92 would be \$24 per tonne, and cover approximately 50 percent of the total cost.

Forty-one million tonnes represents a 30 percent increase in the amount of grain handled by the railways in the record year 1981-82. The present system could not handle it. As mentioned previously, the current level of grain shipments is being sustained as a result of the low level of traffic in other commodities, which has freed line capacity and made available railway-owned covered hopper cars normally used for other commodities. In fact, fifteen percent of CN Rail grain movements were in CN Rail-owned hopper cars, which, it must be stressed, represents short-term extra car fleet capacity.

Changes to the existing Crow scale. One result of the consultation process on Crow rates has been the development of a new base rate scale. It does not change the revenue generated by today's published rates, and has only slight impact on any particular shipping point.

Over 90 percent of these Crow rate changes are less than 1 cent per hundredweight, and in 99 percent of the cases the change is less than 2 cents per hundredweight.

However, the changes make the rate scale a better reflection of the actual distances to port, by correcting a number of anomalies. The new scale has a single structure for CN and CP, as well as uniform mileage blocks. The differential applying to points on the Northern Alberta Railway (which recently became part of CN Rail) has been eliminated.

The revision also removed the 1½ cents per hundredweight higher rate that now applies to rapeseed and flaxseed, so that these commodities will have the same rates as other grain products covered by the statutory rates.

The following table illustrates how the new base rate scale will affect six points in Manitoba (See Table 4).

C. RAILWAY CONCERNS

Compensation. The solution proposed by Dr. Gilson, as modified by the Federal Government, is a welcome step forward which curtails the drain on our resources from moving grain. However, it does not go all the way to full compensation as received from other traffic.

The long-term financial health of a railway company depends on generating revenues in excess of variable costs. During the Gilson consultations, CN Rail presented its case for a 35 per cent contribution to constant costs, in keeping with its real costs and with

the contribution normally derived from commercial traffic comparable to grain. This contribution was eventually set at 20 percent of volume-related variable costs.

Phasing in. Because of the financial limitations of the government and the producers the contribution to constant costs is to be phased in over five years. The additional cost to both railways of phasing in the contribution to constant costs is \$344 million.

Delayed payments. The proposed compensation scheme does not allow for current payments. The railways will be incurring costs - fuel, wages, material - for which we might not receive full payment until 90 days after the end of the crop year. This means we will be financing part of the operation of the grain handling system.

Performance guarantees. The performance guarantees and proposed sanctions that have been proposed are unique to grain transportation. CN Rail hopes they will help to structure the whole system for improved efficiency and believes that to do this they should extend to the other parts of the system and not apply to railways alone.

Performance guarantees should help to ensure farmers that there will be measurable improvements in return for their higher rates. However, if they are limited to the railways they will be less effective and could conceivably leave the railways "holding the bag" for problems they can't control.

In past years when there were problems in the forwarding system, often there was little the railways could have done to help the situation.

The 1974-75 season, for example, was a vintage year for labour management problems. Railways had their share, but it was by no means the lion's share. In all there were 181 days in which some part of the system was plagued by labour difficulties.

There are 17 bargaining units between the farm and the boat. Railways, with performance guarantees, would have yet another incentive to maintain stable and productive labour relations. The management of the other parts of the system should have no less incentive.

4. THE RESOLUTION PASSED BY THE MANITOBA LEGISLATURE, MARCH 15, 1983

A. Text of the Resolution

The following motion was presented by the Minister of Transport to the Legislative Assembly of Manitoba on March 8, 1983, and passed on March 16, 1983:

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 the 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 market.
4. Do not remove the distortion in the 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 unacceptable limit of 31.1 million tonnes of 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 plans for 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.

B. *CN Rail Comments*

Point 1: *the principles of the statutory rate.* These principles may be defined as controlling rates and providing subsidies.

The federal initiative clearly maintains rate controls on railway shipments of grain and grain products. Absolutely no changes are allowed without federal review and approval. Grain shipments will continue to be the only commodity carried on Canadian railways under such rate regulation.

The promise of an annual crow benefit payment is a major federal commitment for grain transportation. The rationale for this subsidy, and the infrastructure subsidies for hopper cars and branch lines, is to offset the competitive disadvantage of Canadian grain producers vis-a-vis their major competitors in terms of "distance to market."

Point 2: *cost protection for farmers.* This is addressed in three ways.

First, by paying the Crow benefit, Ottawa is from now on absorbing the effects of inflation which occurred between 1897 and 1981-82. Until now, the railways have absorbed most of this.

Second, the producer's responsibility for future annual railway cost changes is capped at a maximum of 3 percentage points in 1983-84, 1984-85 and 1985-86, and 6 percentage points for 1986-87 and beyond. This provides a shield against inflation which is enjoyed by no other industry in Canada.

Third, the federal commitments to hopper car purchases and branch line rehabilitation remove two

major cost components from what producers would have to pay.

We feel these three items provide substantive cost protection for grain producers. However, we would not oppose further self-help measures, such as a stabilization mechanism linking the producer's transportation payments to his ability to pay as reflected in the price of grain. This arrangement could be worked out between the Federal Government and the producers.

Point 3: *the competitive international market.* Grain, like other Canadian Resources, can only be sold in the competitive world markets if Canadian producers have a reliable, efficient and effective rail transportation system.

This system is needed to keep Canadian grain competitive despite our extra distance to tide-water. The federal initiative has responded to potential crisis that would severely constrict the rail system in the next few years, and harm all of Canada's resource exporters.

Point 4: *the distortion in rates among crops.* Several discrepancies have been removed, including the higher rate on canola and flaxseed. Westbound export rates are to be extended to several commodities, including corn, which previously only had such rates for eastward movements to Thunder Bay. Also, linseed meal and oil and canola meal and oil will be added to the statutory rate list.

Point 5: *high taxes on farm inputs such as fuel.* CN Rail is in a good position to appreciate this concern. In Manitoba and Saskatchewan, the two provinces subscribing to this resolution, the provincial tax on diesel fuel consumed by CN's locomotives is higher than anywhere else in Canada.

It should be noted that, since grain is by far the largest-volume commodity in Manitoba and Saskatchewan, most of the provincial fuel tax levy will be applicable to the railway costs for grain movement. This means they will show up in the new grain rates.

Point 6: *performance guarantees.* CN Rail believes that sufficient railway performance guarantees do exist in the proposed legislation. This is a specific mandate of the new Grain Transportation Agency and the new Senior Grain Transportation Committee, which will include grain producers as well as the Canadian Wheat Board and the grain trade. Up to 40 percent of the contribution to direct cost may be withheld if tonnage targets are not met and the railway is at fault.

There is also a strong likelihood that performance guarantees will be extended to other parts of the grain forwarding system, so that they would have incentives and penalties similar to those of the railways. CN Rail fully supports this intention.

Point 9: *Western Canadian consensus.* Virtually all of the non-agricultural business sector has expressed support for the Federal Western Transportation Initiative.

In the agricultural community, there was widespread support for the recommendations of Dr. Gilson. Many of those groups which supported his report appear ready to support the Western Transportation Initiative if some key amendments are made to bring it closer to the Gilson recommendations.

**BRIEFS PRESENTED, BUT NOT READ
STANDING COMMITTEE ON
AGRICULTURE**

April 21, 1983

BRIEF OF THE CROW RATE:

I want to keep the Crow rate basically for reasons stated in the previously presented NFU brief. The major threat the Crow process indicates is the strength in Ottawa of the private grain trade lobby. If we lose the Crow, this lobby will next concentrate on the branch line rail network and then on the Canadian Wheat Board.

But my main purpose in coming here today is to tell the committee that in my experience, most farmers want the Crow to stay despite what you are hearing from Palliser, the WCC, and Manitoba Pool.

I am a councillor for Pool subdistrict 602. We had a membership meeting for our subdistrict (Erickson, Clanwilliam, Minnedosa and Basswood) on March 21, 1983 and a resolution was passed 43 to 23 to keep the Crow rate.

On March 29th the subdistrict council met and the Crow issue was discussed. I was the only councillor supporting Crow retention and the wishes of the membership, as shown at the March 21st meeting, were totally discounted. A real gap in thinking has occurred between Pool management and Pool Grassroots.

I think the committee has to consider this situation when considering representation made to them by organizations like Manitoba Pool.

I had intended to make a verbal presentation of the Crow to the Standing Committee last Thursday in Brandon, but the other presentations took up the afternoon and I had to go home to milk. It's too bad the Farm Bureau and the CNR monopolized the afternoon but I guess that's democracy.

I have assembled a brief based on the notes I was going to use. Could you please submit it to the appropriate person? Thanks.

JOHN WHITAKER, ERICKSON.

LOWE FARM, Manitoba,
April 22, 1983.

Dear Mr. Anstett:

We appreciate very much that the government is holding these meetings regarding the Crow rate. We are critical though of the time of the year these meetings are being held. As most of you know, farmers are busy getting ready for seeding. What really concerns us is that because you may have few presentations, especially from farmers, it could give the impression that farmers are indifferent to crow rate changes.

The Lowe Farm Manitoba Pool Committee are concerned, and so are many other farmers in the community, about the negative impact of the proposed rate changes. We find most of the points of the Pepin proposal objectionable. We do not believe that we should compromise our principles on the freight rate issue, because they promised us a review in 1985-86.

The credibility of the Federal Government has been seriously eroded by their action on the feed grain markets issue. As you well know, farmers were promised a vote on how they wanted their feed grains marketed,

and it has never happened. We therefore believe that the initial legislation will be the final legislation.

It is therefore important to come to a compromise with the government eliminating the most objectionable parts, e.g., variable rates, acreage payments, 31,000,000 tonnelimit, and others. In return, the farmers of Western Canada will have to concede some higher freight rates, based on traditional percentage of the price of grain and reducing when the price rises dramatically. This would solve the cash requirements of the railways and still not rob the farmers blind when the price of grain rises.

John C. Harder, Secretary,
Manitoba Pool Elevators,
Lowe Farm Local.

April 25, 1983

Mr. A. Anstett,
Chairman Agriculture Committee,

Dear Mr. Anstett,

First, I should like to commend you and the members of the Legislative Committee for taking the time to hold hearings on the "Crow," and related matters. Having attended the hearing at Brandon on April 21st, I have a few comments and a complaint.

1. Mr. Uskiw raised the concern re the apparent lack of concern on the part of the farmers towards this issue. I think farmers are quite concerned, but are content to let their organizations speak for them. They also tend to feel that in general, governments usually have their minds made up and making representation is a waste of everyone's time.
2. Many organizations making presentations claim to speak for the farm community. It must be fairly obvious that there is only limited support for each group. In an issue as significant as the "Crow Rate" it would seem only right to permit each permit holder to have a vote on whether or not he accepts any or all of Mr. Pepin's proposals. One had only to be present at the Brandon hearings to see the political games being played by the various members of the committee, as well as many presenters, to realize that this issue should be decided by individual producers, free from partisan party politics. This could be done by a plebiscite or referendum.
3. Perhaps in future hearings consideration could be given to limiting the length of time available to each presenter. Those having very long and detailed briefs could be sure that the committee had copies prior to the hearings so that the committee members would be familiar with the content. All that would be necessary then would be for the presenter to summarize and be prepared to answer questions. Naturally there is the danger of being too restrictive and giving people the impression that the committee wasn't really interested in hearing their concerns. On the other hand, with a limited time, perhaps 20 to 30 minutes, for each, perhaps more people would attend and participate.

I hope the committee will consider these comments as constructive criticism, in an attempt to find long-term workable solutions to a very complex problem.

It was interesting to hear the various groups and individuals being criticized during the hearing. These criticisms were levelled at the Federal Government, the Provincial Government, both RRS, the Farm Bureau, the Prairie Pools and various commodity groups including the livestock producers and the rapeseed crushing industry. Farmers even accepted criticism of themselves for not showing more interest and for not being able to reach a consensus of opinion as to the best solution to the problem. This brings me to my complaint.

Mr. Chairman, I must say to you and through you to the Premier that I was extremely disturbed that the Manitoba Government should choose to instruct your committee to exclude any criticism, comments, questions and discussion on the effects and implications of actions by organized labour on the whole transportation issue. They have certainly been significant.

There was mention made of the tremendous financial losses incurred by the RRS due to low freight rates, losses by the farmer due to lost sales and demurrage and losses by the Western Canadian economy in general, and indeed, to the whole country. Many of these losses are directly attributable to being unable to deliver enough product in time to meet sale commitments, thus causing a financial loss to the whole Canadian economy.

No doubt this can be partially attributed to lack of R.R. facilities. Mr. Chairman, I would suggest that during the past 20 years strikes and other labour related

incidents by organized labour in all segments of the transportation sector have cost the Western Canadian Farmer and the whole Canadian economy much much more in real dollar losses than has our inability to deliver due to lack of R.R. facilities. The best most expensive and modern R.R. can move only as much product as the people who are operating that R.R.

Labour cannot be totally blamed, but neither can they be exempted as your government has attempted to do. To attempt to exclude them from their responsibilities in this whole issue is to make a mockery of the whole process of discussion, particularly committee hearings such as those chaired by yourself. I would hope that the objective of such hearings would be to find the truth and to offer constructive suggestions for improvements whenever they might be needed.

I thank you for the opportunity to make a presentation and hope that my remarks are considered as constructive criticism in an attempt to find compromise solutions that will be to the long-term benefit of all Canadians.

Respectfully yours,

Dennis H. Heeney
R.R.2
Brandon, Manitoba

cc. Premier Pawley

All Committee Members at the Brandon Hearing

Table 1. GRAIN FORWARDING PRICES
(dollars per tonne)

<u>SERVICE</u>	<u>1963/64</u>	<u>1979/80</u>	<u>INCREASE(%)</u>
Rail:			
1076-1100 miles**	5.41	5.41	000
Primary elevator*	1.65	7.18	334
Terminal elevator*	1.05	3.48	230
Lake transportation*	4.23	12.13	187
Seaboard handling*	0.14	1.18	725
Ocean transportation*	8.44	19.06	126

* Source: Canadian Grain Commission

** Based upon proposed Base Rate Scale

Table 2. RATIO OF PAYMENTS

<u>Year</u>	<u>Railways</u>	<u>Producers</u>
1982/83	100 %	0 %
1983/84	67.2%	32.8%
1984/85	59.3%	40.7%
1985/86	51.5%	48.5%

Table 3

WHAT THE PRODUCER MIGHT PAY - FROM 1981/82 TO 1985/86
(dollars per tonne)

<u>Crop Year</u>	<u>Constant Volumes</u> 31.1 m. tonnes		<u>Increasing Volumes</u> 31.1 m to 33.2 m tonnes	
	<u>Gross*</u>	<u>Net**</u>	<u>Gross*</u>	<u>Net**</u>
1981-82	4.89	4.89	4.89	4.89
1982-83	4.89	4.89	4.89	4.89
1983-84	12.38	4.99	12.71	5.48
1984-85	15.55	6.52	16.01	7.29
1985-86	18.98	8.23	19.56	9.35

* Paid by producer at elevators.

** After producer receives these government payments: Crow Benefit, government share of cost increases, and Agricultural Adjustment payment.

*** Assumes rail cost changes of 8 per cent in crop year 1982/83, 7 per cent in 1983/84, and 6 per cent in ensuing years.

Annual rate adjustments. Each year's grain rate will be set by the Canadian Transport Commission (CTC) by April 30. It will reflect forecast tonnages and costs for transporting grain in the forthcoming year.

Table 4. THE NEW BASE RATE SCALE

<u>Point</u>	<u>Present Rate</u>	<u>New Scale</u>	
	(cents/cwt)	(cents/cwt)	(cents) (per tonne)
Arborg	16	15.82	349
Brandon	16	16.91	373
Dauphin	18	17.63	389
Morden	15	16.18	357
Swan R.	19	19.09	421
Winnipeg	14	14.72	325

How the rate is calculated. The following steps summarize the method by which rates are to be calculated.

Step 1. The existing rate scale has been revised into a new **Base Rate Scale**, as recommended by the grain industry's rates task force (see above)

Step 2. $\frac{\text{Eligible railway costs} - \text{CN adjustment}}{\text{Base year revenues (adjusted for tonnage)}}$
 = **Multiple of Crow**

Step 3. Multiple of Crow X Base Rate Scale
 = **Annual Rate Scale**

Step 4. Payment of Annual Rate Scale:

a) Shipper pays:

- Base rate;
- Up to 3 percentage points of total cost increase;
- Producer payment from government;
- Full cost for volumes over 31.1 million tonnes (to be blended into the annual rate scale).

b) Government pays the balance directly to the railways.