



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, John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
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, John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
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SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Friday, 8 April, 1983

TIME — 10:00 a.m.

LOCATION — Winnipeg, Man.

CHAIRMAN — Mr. A. Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Plohman, Uruski and Uskiw; Messrs. Anstett, Carroll, Downey, Gourlay, Harapiak, Manness and Orchard

APPEARING: Mr. Jack Craven, Acting Manager, Research and Planning Branch Transportation Branch

WITNESSES: Messrs. David Matas - Liberal Party of Manitoba,

Bill Ridgeway, Mr. Paul Orsak - Palliser Wheat Growers,

Mr. W. Harder, Lowe Farm

MATTERS UNDER DISCUSSION:

Western Transportation Initiative proposed by the Government of Canada.

* * * *

MR. CHAIRMAN: The meeting will come to order please. Gentlemen, there are a few administrative matters that we should attend to before we begin our hearings this morning. Hopefully, we can expedite these matters as quickly as possible with regard to the committee's affairs.

The first item is that we neglected at the last meeting to set a quorum. Normal quorum is a majority of the committee plus one. In an 11-member committee, that would be six members. Would someone move that that be our quorum?

MR. H. HARAPIAK: So moved.

MR. CHAIRMAN: It is moved by Mr. Harapiak the quorum be six. Is that agreed? (Agreed)

The second item is that requests were made at the last meeting to advise certain agricultural organizations of the meetings. Subsequent to that advice going out, a request was made that three additional organizations be advised. I wish to advise the committee that Cargill, Paterson and Pioneer grain companies have been advised by telephone, with a letter going out, I believe, yesterday, from the Clerk advising them of the full slate of the hearings.

The third item is an invitation from Manitoba Pool with regard to our hearing date in Brandon on the 21st of this month. The Pool has a delegates meeting that

same morning in Brandon and is inviting the committee to sit in and attend a portion of their meeting, approximately from 11 to 12 that morning. Our hearings are scheduled for 1 o'clock that same day. Apparently they will be having discussions on the same issue in which the committee is interested and they anticipate 60 to 80 delegates at that meeting. What is your will and pleasure, would you like to sit in on that meeting? Mr. Carroll.

MR. H. CARROLL: I, for one, would be very happy to. Yes, I'd be most pleased.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Yes, Mr. Chairman, if it's at 11 o'clock, I think that's sufficient time for everyone to be able to drive or fly there, whatever the circumstances are. I think we should attempt to take them up on that offer.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Mr. Chairman, I'm not opposed to that, although I would wonder if we could have the opportunity to pose questions and enter into discussion at that time, or will we be there just as observers?

MR. CHAIRMAN: The invitation from the Pool was as observers of their discussion on this issue.

Now, I can enquire further as to whether or not they would want us or permit us to participate in their meeting. I don't know that that's something the committee would want to do.

Mr. Manness.

MR. C. MANNESS: I would then ask whether it's the intention of Manitoba Pool to make representation to this committee at all? Do we know?

MR. CHAIRMAN: I expect that they will, in addition, be making representation probably that same afternoon at our meetings in Brandon. I don't know if the Clerk's received official notification of their intentions. — (Interjection) — No notice today.

MR. C. MANNESS: Well, I'd make the point that indeed if we didn't have the opportunity to ask questions or enter into discussion with them that we might be a little at odds if we could only hear their discussion rather than pose questions, so I would hope then that they would make representation sometime.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, I'm really not concerned with the rules of that meeting. I think what is important is that we have been given an opportunity to hear the Pool delegates discuss this issue, hopefully

in an open and frank manner, and that in itself should be instructive to this committee, at least to some degree, and certainly should make some contribution to the analysis that we are going to come up with at the end of our hearings. So I don't see that there's anything lost in being there as observers; I think there's a lot to be gained if that is an open door invitation. I make the suggestion, whatever the rules, that this committee be prepared to respond to that offer in a positive manner.

MR. CHAIRMAN: I can undertake on behalf of the committee to have the Clerk enquire of Mr. Strath who raised the issue with me as to exactly what role we will be expected to undertake at the meeting and then advise the committee at a subsequent meeting. This meeting is not until the 21st, so I will be able to advise the committee next week in Swan River or Dauphin.

Mr. Orchard.

MR. D. ORCHARD: Well, Mr. Chairman, if we as a Standing Committee on Agriculture sit in on an observer status at a Pool Delegate Meeting, would we then be obliged, say, to sit in on a United Grain Growers' Delegate Meeting should a similar invitation be made?

MR. CHAIRMAN: I'm not in a position to answer your question, Mr. Orchard.

Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, we are dealing with a hypothetical situation here. We have not been invited by United Grain, nor do we know whether they are having such a meeting, but if they were to have such a meeting, I think that we would want to consider that, depending on where, when, and how that fits in with our schedule.

Obviously, the Brandon Pool Meeting fits in very well with our schedule as it is and it's a matter of convenience for both the Pool and this committee on that particular day.

So, on that basis I think it would be wrong for us to not accept that invitation, but I would not want to oppose another invitation from any other group providing we find a means of accommodating it. That is not something that I would want to take a position on right now.

MR. D. ORCHARD: Well, the Minister has indicated that's a hypothetical situation. It won't be a hypothetical situation if we, as a committee, decide to sit in as an observer at the invitation of Manitoba Pool. We will have set precedent for the Agricultural Standing Committee.

Once we have established the precedent of accepting an invitation on observer status to one farm organization it is no longer hypothetical. Invitations would, I would expect, be considered by other organizations to allow us to attend and as a matter of fact expect us to attend.

MR. CHAIRMAN: Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, I would suggest that we take each individual invitation on its merits and we make our judgement then. I don't think there's any

precedent being set. All we would have to say is that if we have the time we'll go to it, if we don't have the time, we won't go to it, and leave it at that.

MR. CHAIRMAN: It's been suggested that we accept Mr. Strath's invitation to attend the Pool Delegates' Meeting in Brandon on the 21st, prior to our committee hearing, and also that we consider each additional invitation we get on its merits, and that the Chairman and the Clerk be instructed to communicate with Mr. Strath to determine the exact details of our presence there.

Any further discussion?

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I did not catch the initial opening of the request, but I find it somewhat difficult or different for a Committee of the Legislature to. I don't find it difficult to go on an invitation to discuss on an informal basis as individuals, but as a Committee of the Legislature, not to sit as we initially sat out in the Rules of this committee where we were going to sit and then now to change it . . .

A MEMBER: We're not changing it, it is the same day as we're in Brandon.

MR. CHAIRMAN: Mr. Downey, perhaps I could clarify, since the invitation came to me and I relayed it to the committee. Mr. Strath of Manitoba Pool suggested that since they were having a delegate meeting, at which 60 to 80 delegates would be in attendance on the morning of the 21st in Brandon, and since the committee would be holding its hearing at 1:00 p.m. that same day, they said the committee might want an opportunity to sit in and hear their delegates discuss the same issue on which the committee is holding hearings, and that was the extent of the invitation.

MR. J. DOWNEY: Mr. Chairman, a question. Let me get clear on the times. What time is the delegate body meeting with Manitoba Pool Elevators?

MR. CHAIRMAN: From 10:00 to 12:00 a.m.

MR. J. DOWNEY: And the committee meetings start at 1:00 o'clock, is that correct?

MR. CHAIRMAN: Yes.

MR. J. DOWNEY: So, in other words, as an individual, if a person wants to sit in on that Pool Elevators meeting, they are free to do so, but we are not doing it as a committee?

HON. S. USKIW: That's not what we suggested.

MR. CHAIRMAN: It was suggested, I believe, by Mr. Manness and Mr. Uskiw that we go as a committee. I'm at your will and pleasure. — (Interjection) — Oh, it wasn't Mr. Manness? By several individuals that we attend as a committee. I'm at your will and pleasure as to how you wish to proceed.

Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I wish to then move that we do accept the invitation on a formal basis and

that we accept the rules as they are laid down by Manitoba Pool with respect to what role we play at that particular meeting.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I can't support that. I think that as individual members, if that invitation carries through as an individual member to go to seek information and be informed, I think that is an appropriate way to go. But to go as a committee to that meeting, I do not accept that is the proper procedure for us to follow, particularly when we'd set our schedule of events and I do not feel at this particular time, if one of our particular members are unable to meet with that group as a committee, that they be put in that kind of a position. That's the kind of a position that the government are trying to do at this time. I'm not trying to delay the proceedings. If it had been accepted on an individual basis, if members of the committee wanted to go and get some background on Manitoba Pool and then go to their hearings, make their presentations to committee as it has been struck on an official basis, then that is the procedure that I would like to see happen, Mr. Chairman.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, I think there's too much sensitivity on this question. We have the largest grain company, farmer-owned, that is going to be meeting with its delegate body on that day, and who is extending to us an invitation to participate in that meeting. It seems to me that it would be in the public interest for this committee to want to respond positively to that invitation, as I think we would want to, to any other such group. I think we would be irresponsible if we were to say that, no that's not an important enough occasion for this committee, since we're going to be there anyway. I think there's everything to be gained by attending. I believe it should be a formal response, because I think Manitoba Pool is a very prestigious organization in the Manitoba farm community and anything less than a formal response would be less than fair to that organization.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Chairman, I agree with everything the Minister said, however, I still believe, regardless of how large an organization is, that indeed we have an opportunity that they come forward and we pose questions directly to them. I do not yet know whether we will have that opportunity.

MR. CHAIRMAN: Mr. Manness, in reply to that concern, my understanding of the invitation, and I didn't clarify that because I wasn't aware of what questions would be asked at this meeting, was that we were being invited to sit in and observe. That was my understanding of the invitation and that was the extent of the invitation to my knowledge.

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I do not believe the Agricultural Committee of the Legislature of Manitoba

should be directed by any farm organization that wants to invite us to any meeting at any time, and that is precisely what I'm hearing happening right now by the Minister of Transportation. Certainly, I have no debate on the importance of Manitoba Pool Elevators or their work. I would think that if we went as individuals to that meeting and then heard the official presentations made at 1 o'clock that is certainly the kind of process that I would see. But for this committee to be directed by itself to go to Manitoba Pool Elevators, Manitoba Farmers' Union, National Farmers' Union, to any of their meetings, on an official basis — (Interjection) — UGG, my colleague says - then I think we're losing control of our own body that we've set up to find and hear what this Legislature has asked us to do, and it is not in the terms of reference with what we have agreed to as a committee. I do not dispute the fact that we shouldn't be there hearing what the largest farm group in Manitoba have to say, but to let them direct the activities of an Agriculture Committee, as any other group in the farm community, is a bad precedent to set and I don't think, Mr. Chairman, that I can support it.

MR. CHAIRMAN: Mr. Gourlay.

MR. D. GOURLAY: I would have to agree with my colleague's comments, the Member for Arthur. I think that this does set a precedent that we would have difficulty in supporting. Who knows? We're going to seven places in Manitoba. There may be other meetings that are being held in those places that they would want to extend an invitation to us as well. I don't see anything wrong going there on an informal basis, but to formally say that the committee should attend any other meetings, I think would be wrong.

MR. CHAIRMAN: Any further discussion?

HON. S. USKIW: I had a motion, Mr. Chairman.

MR. CHAIRMAN: It has been moved that we accept the invitation of Manitoba Pool. Is there any further discussion on that?

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I'm not clear on the motion that's been put.

MR. CHAIRMAN: It was moved by Mr. Uskiw that we accept the invitation extended by Manitoba Pool to attend their delegate's meeting in Brandon at 11:00 a.m. on April 21st, the day of our Brandon meeting.

MR. J. DOWNEY: A point of clarification, Mr. Chairman. As an Agriculture Committee of the Manitoba Legislature, as an official representation?

MR. CHAIRMAN: Yes, I believe that's the intent of the motion, that this committee attend. Is that agreed?

SOME HONOURABLE MEMBERS: No.

MR. CHAIRMAN: Do you want the question put?

MR. D. ORCHARD: You've got ayes and nays, Mr. Chairman.

MR. CHAIRMAN: All those in favour of the motion please say aye; all those opposed to the motion, please say nay. I declare the motion carried.

The next item of business relates to the committee's logistics arrangements for transportation to the Swan River, Dauphin and Brandon meetings. The Clerk encountered some difficulties arranging for air travel to Swan River because the Swan River air strip will not accommodate a DC-3. That would have necessitated flying in a number of smaller planes. Instead, it was suggested that we could fly in the DC-3 to Dauphin and drive the balance of the distance to Swan River.

Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I think we are going to have a long day and I believe that what we have to do is arrange sufficient aircraft to take the committee to Swan River and provide for it through the committee.

MR. CHAIRMAN: I should point out to the committee that the Clerk has advised me that will involve three Cessnas as opposed to one DC-3, and will double the price.

I take it that it's the will of the committee then to fly direct from Winnipeg to Swan River.

Where do you want to spend the night, in Swan River or in Dauphin?

MR. D. GOURLAY: Swan River.

MR. CHAIRMAN: I detect that the Member for Swan River has support for sleeping in Swan River.

MR. J. DOWNEY: Supported by the Member for Dauphin.

HON. J. PLOHMAN: I have no problem.

HON. S. USKIW: We should discuss that. Well, there is a problem.

MR. CHAIRMAN: Is there any discussion in terms of the logistics as to where we should spend the night, because our meeting the next day begins at 10:00 a.m. in Dauphin?

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, personally I would think whatever could accommodate the people who are making the arrangements for the committee, it should be left in their hands to do it the most efficient way possible.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, the distance between Swan River and Dauphin is sufficient to in itself recommend to this committee that we'd be better off, I believe, to be in Dauphin the night before so that we wouldn't be rushed in the morning in order to make the 10:00 meeting. I don't know whether we're going to have air or ground transportation from Swan River back to Dauphin. It could be that we will use ground transportation of various departments of government

that will bring us back to Dauphin the evening before the meeting the next morning at 10:00 a.m. So, it seems to me, the logistics are such that we shouldn't rush ourselves to meet the 10 o'clock deadline in Dauphin, we should be there the night before.

MR. CHAIRMAN: I point out to the committee that we will have to pay for the airplanes from Winnipeg to Swan and then from Dauphin to Winnipeg. They will still have to fly from Swan to Dauphin to pick us up after the Dauphin meeting, so we can easily fly from Swan River to Dauphin, there will be no extra cost.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, has the Clerk of the Committee received an indication as to how many briefs we might be presented in Swan River?

MR. CHAIRMAN: There is only one registration for Dauphin, none for Swan River, to date.

What is your will and pleasure? Mr. Downey has suggested this be left in the hands of the Clerk and the Chairman. Is that agreed? (Agreed)

The proposal by the Clerk for Thursday, April 21st, the day of our Brandon trip, is the use of two Cessnas at 11:00 a.m., for arrival in Brandon at 11:30. Obviously that's going to have to be changed to an earlier departure date. I take it that's acceptable that the departure time be arranged such that we can make the Pool meeting that we've agreed to attend. (Agreed).

It has also been suggested that the meeting hall proposed in the advertisement, that was circulated to members in Dauphin, may well be inadequate. It has a capacity of 100 to 150 people, that's the Legion Hall. There's been a suggestion that we change the location to the Ukrainian Orthodox Hall, which has a capacity of 400 to 500 people in Dauphin. If you wish to make that change it will necessitate advertising by radio and newspaper to advise people of the move of the location. Is there any discussion?

Mr. Orchard.

MR. D. ORCHARD: I think you've only got one brief at Dauphin yet. Are we being a little premature as to packing a 125-person hall?

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, I don't think the number of briefs that are registered is any indication of what's going to happen at that particular meeting. The Legion Hall is located on Main Street. It's a small hall, it's on the second floor. I don't think it's appropriate. I mentioned that, as soon as I saw the advertisement, to the Chairman. I think that the Ukrainian Orthodox Auditorium is much more suitable for such a hearing and I've recommended to the Chairman that this be changed, because I don't think the hall on the Main Street in terms of parking, in terms of second floor, and in terms of size is appropriate for this kind of hearing. So I move that the Dauphin hearing location be moved to the Ukrainian Orthodox Auditorium, 304 Whitmore Avenue in Dauphin.

MR. CHAIRMAN: Is that agreed? Agreed and so ordered.

That takes care of the logistics for our . . .

The Clerk has advised there's one other problem. Since all members may attend any committee meeting regardless of whether or not they are on the committee, can members advise if they are aware of any other members who wish to travel with the committee to Dauphin, Swan River or Brandon, because that will affect the logistics of planning air flights and hotel rooms.

Mr. Harapiak.

MR. H. HARAPIAK: I would like to attend if I'm not a member of that committee at that time, but Mr. Adams is checking his schedule to see if I can remain on the committee while it attends Dauphin and Swan River.

MR. CHAIRMAN: There may be one additional in that situation.

Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'll have to canvass our members and report later.

MR. CHAIRMAN: Could you report back to me so that we can advise the Clerk in making whatever arrangements.

Mr. Uskiw.

HON. S. USKIW: One question, Mr. Chairman, and that is the legality of paying the costs of non-members of this committee. It comes into question. If there is a seat available which doesn't mean additional costing to us, I see no problem, but I think if it entails an additional aircraft, then I don't think we are empowered, although I may be corrected. Perhaps, Mr. Chairman, you might indicate to the committee what is within the rules.

MR. CHAIRMAN: Mr. Uskiw, you're quite correct. The original proposal called for a DC-3 which had a capacity, I think of 24 or 26 people, so we did have that spare room for any additional members. I don't know how many. The Cessnas seat eight people each and we're going to require how many? Because of all the recording equipment that's going to have to be taken along and the weight involved in the recording equipment, which is going to have to go to Dauphin and Swan River, it will require three Cessnas, so we will have probably three or four spare seats.

HON. S. USKIW: Well, Mr. Chairman, I raise one obvious question and that is that it's possible that the recording equipment and staff might prefer, or we might prefer them to drive up to Swan River the day before. I am not sure whether that is cheaper or more expensive, but that's the question that's open. If that is more practical then we would only require the use of two aircraft for the committee.

MR. CHAIRMAN: Mr. Uskiw has suggested that the staff and equipment travel by road the day before the meeting. Any further discussion on that suggestion?

Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, I would suggest we leave that up to the staff to figure out the logistics and what is feasible.

HON. S. USKIW: And to advise if there is any space.

MR. CHAIRMAN: So, I take it then that the committee has agreed that the Chairman, in consultation with the staff, will look after those arrangements. Agreed and so ordered.

Will there be any departmental staff going from the Department of Highways and Transportation or from Agriculture, who will also be travelling with the committee?

HON. S. USKIW: Mr. Chairman, there will be staff there. How they travel is quite open, so we can make that decision ourselves.

MR. CHAIRMAN: Well, that's something that should also be done in consultation with the Clerk, if there is room.

When the Standing Committee on Municipal Affairs held its hearings, members were booked into a hotel on a double-occupancy basis to save money. Do you wish to continue on the same basis? Agreed and so ordered.

Mr. Downey.

MR. J. DOWNEY: I'll have to canvass my committee members to see what they think of that.

MR. CHAIRMAN: I think that takes care of all the logistics.

This committee is empowered under a resolution passed by the Legislature on March 15th to enquire into matters relating to the Western Transportation Initiative proposed by the Government of Canada. The procedure we have agreed to adopt for purposes of this committee is to read the text of the resolution that was passed and then call on staff to make a presentation outlining the Western Transportation Initiative' after which we will begin presentations.

The resolution reads as follows:

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

1. Do not recognize the principles of a statutory Crow rate.
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 rates by including all prairie crops and their products under the new structure.
5. Do not deal with unacceptable high taxation levels on farm input, such as fuel.
6. Do not provide sufficient performance guarantees for the future growth and development of all facets of prairie agriculture.
7. Prescribe an unacceptable limit of 31.1 million tonnes for subsidized shipments.
8. Provide Central Canada with further artificial processing and livestock incentives.
9. Are not supported by a consensus of Western Canadians.

And because these are fundamental concerns and must be dealt with in any plan for the Western Rail Transportation System this Assembly therefore rejects the Pepin Plan;

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

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

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

I'd like to call on the Minister of Highways and Transportation to introduce staff who will make a presentation on the Federal Western Transportation Initiative.

HON. S. USKIW: Mr. Chairman, it's my pleasure to introduce to you Jack Craven who has been doing a lot, if not all, of the analysis work on the Pepin Proposal. He is prepared to give us a verbatim presentation, that is the Pepin package, and to elaborate, if you like, on any point along the way if you so wish, but that will be up to the committee to determine as we go through the presentation.

Mr. Craven, would you like to take the mike?

MR. J. CRAVEN: Thank you, Mr. Minister. The presentation that I'm going to make at this point was drawn primarily from the information issued by the Federal Government on their Federal Western Transportation Initiative. The first major point that they make is that they will be implementing the principle recommendations of the Gilson Report for the four-year period from 1982-83 to '85-86. They have chosen to define the Crow benefit payment as representing the difference between the amount paid by producers under the Crow's Nest Pass rate and the actual cost of moving grain during the crop year 1981-82, and have estimated it to be \$651.6 million.

For purposes of information, the average Crow rate for the prairie region was \$4.89 per metric tonne and for Manitoba, \$3.65 per metric tonne for that period.

Starting in the 1983-84 crop year, producers will be expected to pay the total cost of any future volumes of grain and grain products exceeding 31.1 million metric tonnes. The first three percentage points of railway cost increases due to inflation in the crop years 1983-84, '84-85 and '85-86. The first six percentage points of railway cost increases due to inflation for the crop year '86-87 and beyond.

The rates will be blended freight rates to be set by April 30th of each year for the following crop year by the Canadian Transport Commission after consultation with grain shippers and the railways. The freight rates are intended to remain generally distance-related.

Under the Gilson recommendation, the federal contribution would be divided between the railways and the producers. In '82-83, the entire federal contribution would be going to the railways. After that, the proportion

paid to the railways would decrease over time to a minimum of 19 percent, which would be reached in 1989-90. At that point, 81 percent would be paid to the producers. The method of paying the government contribution was generally accepted by the Federal Government, but they decided that in '85-86, when the split is approximately 50 percent to each party, that is the producers and the railways, they would review the method and have stated that parliamentary approval would be required to continue any further progression of payments to the producers.

The payments to the producers will be on an acreage basis and include cultivated acreage devoted to non Crow crops and to Crow grain crops that is used on the prairies, not on the basis of tonnes of grain shipped by rail. Because this means less money per tonne of grain shipped, an additional \$204 million will be paid as an agricultural adjustment payment for the crop years from '83-84 to '85-86. The Federal Government has also indicated that they will commit an additional \$56 million after '85-86 if the the phase payments are continued to '88-89. Basically, Gilson had recommended that the agricultural adjustment payment be made until '88-89, and then phased out.

Point 8. The canola oil and meal and linseed oil and meal will be included under the new statutory rate regime in '83-84. For the crop year 1982-83, these products will be assisted through an existing program in the absence of legislation and that will pay the difference between the statutory rate and the current minimum compensatory rate west of Thunder Bay. However, at the same time, the Federal Government believes that commercial rates for these products beyond Thunder Bay to eastern markets should be established. At the present time, the railways charge a lower minimum compensatory rate on these products from Thunder Bay east.

The Federal Government will also be establishing, or proposing to establish a new grain transportation agency that will perform the current duties of the office of the Grain Transportation Co-ordinator and have an enlarged mandate including car allocations, performance of service guarantees and improved efficiency and capacity in the transportation system.

The Canadian Transport Commission will be responsible to undertake necessary major costing reviews every four years in consultation with the grain shippers and railways. The Federal Government has also committed itself to purchase up to 3,840 more hopper cars over the next three fiscal years with the timing of the purchases to be made on the advice of the new Grain Transportation agency. The Federal Government will also commit an additional \$670 million to branch line rehabilitation for the prairies in this decade. However, they will be reviewing the future of the branch line rehabilitation program in 1985-86.

In accordance with the Gilson Report, the railway compensation of 100 percent of the long-run variable costs which are due to the movement of grain with a 20 percent contribution to overhead costs will be phased in. For this crop year the railways will receive \$313 million as a payment towards their shortfall, in this year.

One decision that the Federal Government made that differed from the Gilson recommendation was that the cost savings due to branch line abandonment or

acquisition of government hopper cars would accrue to the Federal Government and the shippers. Gilson has suggested that the railways and the shippers share in any cost savings.

The Federal Government has also agreed to extend special additional capital cost allowances to the railroads for investment in railway assets during the period January 1, 1983 to the end of December, 1987. In addition, for the implementation of the new rate regime on grain and the extended capital cost allowances, the two railroads have indicated they will invest in western Canada this year an additional \$242 million and in eastern Canada, an additional \$33 million, and that they will increase their investment for the period 1984 to 1987, in western Canada, by about \$2.6 billion and investment in eastern Canada by \$395 million. They would meet specific grain transportation performance and branch line maintenance obligations which have yet to be specified.

The Federal Government also talked about industrial and economic development initiatives to which they are prepared to commit \$75 million over the next five years. Examples of the projects that the money would be directed towards would be the development of railway equipment manufacturing industry, the processing of agricultural products in western Canada, assisting suppliers of equipment and material for future resource development projects in western Canada and assisting western firms to develop new products and improve productivity and competitiveness.

Under agricultural development initiatives, the Federal Government indicates that it will commit \$175 million over five years towards agricultural development projects which would include improving local feed grain self-sufficiency in the non-Canadian Wheat Board designated areas of Canada, assistance to farms and farm organizations in the designated area of the Canadian Wheat Board for activities leading to improved production of grains and livestock and special crops, assistance to the food processing industry in Quebec, soil and water conservation research in the Prairie Provinces and development of a crop information system and an electronic marketing system by Agriculture Canada for the agriculture industry throughout the country.

A final point, in 1985-86 the Federal Government will conduct a major review of their initiative. The six points that will be included in this review is the sharing of the grain transportation costs between producers and the Federal Government, the system of payments to producers and progress in reducing distortions in the western agricultural economy, possible impact on eastern agriculture, the system of railway performance guarantees, the freight rates required to provide appropriate compensation to the railways and the future of the branch line rehabilitation program.

MR. CHAIRMAN: Thank you very much, Mr. Craven. Are there any questions from members of the committee for Mr. Craven regarding this presentation? Seeing none, the list of persons indicating they wish to make briefs or presentations to the committee reads as follows:

Mr. David Matas and Bill Ridgeway on behalf of the Liberal Party of Manitoba; Mr. Bill Blaikie, member of

parliament; Mr. Kent Magarrell and Mr. Gerry Kendall on behalf of the Winnipeg Chamber of Commerce; Mr. Paul Orsak, Palliser Wheat Growers; Mr. W.B. Harder of Lowe Farm; Mr. Doug Campbell of CN Rail; Mr. Goldwyn Jones of the National Farmers' Union.

Is there anyone else present in the audience who wishes to make a presentation to the committee whose name was not just read out? Seeing none, I wish to advise the public that the committee has normally proceeded in such fashion as to allow those persons who are from out-of-town to be heard first. Is that your will and pleasure, members of the committee? (Agreed).

Mr. Orchard.

MR. D. ORCHARD: Are we going to carry the committee straight through or are we going to adjourn at 12:30 and then reconvene at 2 p.m. if necessary.

MR. CHAIRMAN: Normal practice would be to adjourn at approximately 12:30 and reconvene at 2 p.m., although we normally finish whatever brief is under way at the lunch hour.

Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, I would suggest that the committee leave that question in abeyance until we see the rate of progress that we're making. It could be that we might complete the hearings by 1 o'clock, for example, and we wouldn't want to adjourn for lunch and then come back for one brief or something of that nature.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I'm in agreement with that, but with seven briefs, we might conceivably finish by that 1 o'clock adjournment if we extended it.

MR. CHAIRMAN: I'm unaware as to who specifically is from out-of-town. I believe both Mr. Harder is and obviously Mr. Jones is. I'm advised that Mr. Ridgeway is from outside of Winnipeg. Is Mr. Orsak from outside of Winnipeg? Mr. Orsak is also from outside of Winnipeg. So the order then would be, Mr. Matas and Mr. Ridgeway, followed by Mr. Orsak, Mr. Harder, Mr. Jones and then the others as they appear on your list. Is that agreed? (Agreed).

I would like to call on Mr. David Matas and Mr. Bill Ridgeway on behalf of the Liberal Party of Manitoba.

MR. D. MATAS: I assume this is the proper place for us, is it?

MR. CHAIRMAN: Yes.

MR. D. MATAS: I'm David Matas and I'm here for the Liberal Party of Manitoba, along with Bill Ridgeway who is just sitting down behind me. We're both going to make a presentation. I'll make a presentation first and then Bill Ridgeway will make a presentation. Bill Ridgeway is the Policy Chairman of the Liberal Party of Manitoba

I note, first of all, that on the list of persons wishing to speak before the committee, I am described as coming from the Liberal Party of Manitoba, spelled

"Live", and I welcome the suggestion that the Liberal Party is alive and I take that as a statement of the state of the Liberal Party.

Now I have a presentation which has been distributed to members of the committee and I'd like to go through. I'd like, after that, to respond to the nine points of objection in the Manitoba Resolution.

First of all, I wish to say that the Liberal Party in Manitoba endorses the proposed Federal Crow initiative. The Crow rate, as was just explained, is a fixed statutory rate for the shipment of grain out of the west that dates back to 1897. Each year, as inflation continued, the fixed statutory rate has become a smaller and smaller percentage of costs. Now the rate is at about 18 percent of costs.

The railways have ceased to maintain rail lines or buy hopper cars for shipment of grain, because they are not earning the revenue to justify it. The west is caught in a rut as a producer of primary goods, because it is cheaper to ship out unprocessed grain, than livestock or processed food.

The Crow rate will be replaced according to the government plan by Crow benefit paid for by the Federal Government. The benefit will be given, in increasing proportions over time, directly to the farmer. Rates will be allowed to increase. Farmers will be given cash to pay for the increases. Freight rate distortions will disappear. The incentive to ship out raw products instead of processed food will be gone.

The government payment of the Crow benefit, plus increased farmer contribution to costs, plus railway guarantess, will provide the cash and the incentive for rail line maintenance, acquisition of hopper cars and increased rail capacity.

The Federal Government will spend some \$75 million so that the materials and equipment for railway expansion can be manufactured in the west. The money for the Crow benefit and the western industrial benefits will come from the Western Development Fund, financed from the Federal Government share of western oil revenues.

The Crow initiative is not just advantageous to the rural areas of Manitoba, by allowing for rail improvement, by removing discrimination against non-Crow crops and livestock. It is advantageous to the cities as well. The Crow, more than any other factor, has been responsible for preventing the west from developing beyond the production of primary goods. Compensatory freight rates and expansion of the rail network will mean development of industries in the west. It will mean jobs in processing. It will mean jobs for workers in the railyards and in the plants producing assets for railway investment. It will mean lower prices in the grocery stores in Manitoba because of lower prairie feed grain prices.

The Liberal Party in Manitoba takes some pride in the Federal Crow initiative. We consider ourselves one of the early advocates and promoters of the changes that are now about to take place. In 1980, the Manitoba Liberal Party proposed this resolution, which I'll read to you, at the National Liberal Convention held in Winnipeg, and the resolution goes like this:

WHEREAS the "Crow rates" for transportation of prairie grain effectively raise the price of feed grains in the Prairie region vis a vis other regions of Canada, and therefore mitigate against the establishment of a sound livestock industry on the prairies; and

WHEREAS the present "Crow rates" provide no incentives for the railroads to provide good service in the transportation of prairie grains; and

WHEREAS a consensus is beginning to develop among prairie farmers that the "Crow rates" must be examined despite the value of those rates to western grain growers in the past;

THEREFORE BE IT RESOLVED that the Government of Canada develop an alternative method of payment of the "Crow benefit" to western farmers in order to remove the disincentives to the livestock industry, while providing adequate compensation to the railroads so that they can provide adequate grain transportation.

We consider the announced Crow changes to be an adoption of the Manitoba resolution.

The New Democratic Party, we note, wants to keep the fixed statutory rates and use government money for direct public investment in railway improvement. Government money for railway investment in Canadian Pacific would be given in exchange for shares, bonds or debentures. The aim would be to bring Canadian Pacific under public ownership.

The New Democratic Plan would mean continued distortions in the freight rate structure. It would mean continued condemnation of the west to its role as primary producer. The attitude of the New Democratic Party seems to be, that it is a pity to fritter away good government money in developing the west when it could be used to nationalize a private industry.

Both the New Democratic Party and the Progressive Conservatives have condemned the Federal Crow initiative. The Conservatives like to accuse the Liberals, federally, of being in partnership with the New Democratic Party. The Federal New Democratic Party likes to say there's no difference between the Liberals and the Conservatives.

We can see here where the real partnership is. The Conservatives and the New Democrats have joined in a partnership of reaction. The Liberals stand alone as a party of reform. If the Crow issue were left to the Conservatives and the New Democrats, we would continue to have a freight rate structure rooted in the 19th century, a disintegrating railway network, and a western economy doomed to primary production.

The Liberal Party in Manitoba calls on the Progressive Conservatives and the New Democratic Party to abandon their reactionary stance. We call on the Manitoba Legislature to rescind its motion rejecting the Crow initiative and, instead, to pass a resolution endorsing the initiative.

Now I'd like to make comments on the nine points that were raised in the resolution that were critical of the government initiative.

1. Do not recognize the principles of a statutory rate for grain. Wwll, the federal initiative does recognize the principle of statutory inclusion of the benefit that's proposed. The transfer from the Crow rate to the Crow benefit would be in a statute. We cannot have just another different rate in a statute or we're going to get the same problem in the future that we've got right now.

2. Do not provide cost protection for farmers. Well, there is a cost protection for farmers. There is the inflation protection beyond 3 percent for the early years, inflation protection beyond 6 percent for the later years. The 31.1 million tonnes is the highest recorded

movement of grain that the prairies has seen and we must not forget that if there's going to be inflation in costs, there is also going to be inflation in prices as well, so that farmers will be earning more through inflation even if they're going to be paying more through costs.

3. Do not recognize that grain must be sold in a competitive international market. Well, we say that it's this resolution that does not recognize that grain must be sold in a competitive international market. We cannot compete if we cannot ship our grains to market and in the past we simply have not been able to do that, because the railways do not have the incentive to develop the capacity, and there has been periods in the past where grain has not been sold because the railways have been at capacity and they have not had the incentive to ship grain.

4. Do not remove the distortion in rates by including all prairie crops and their products under the new structure. We say the only way we're going to remove the distortion is by shifting from the Crow rate to the Crow benefit. As long as we keep to the current Crow rate we're going to have continued distortion.

5. Do not deal with unacceptable high taxation levels on farm input such as fuel. Admittedly it does not deal with taxation, it was not purporting to deal with taxation, it's a different subject.

6. Do not provide sufficient performance guarantees for the future growth and development of all facets of prairie agriculture. We note that there is both performance guarantees and investment guarantees and that the resolution doesn't criticize the investment guarantees. We say also that the performance guarantees that are promised, are sufficient. There is going to be a three-year trial period with the performance guarantees put in place but not actually functioning in terms of imposing penalties, but after the three-year trial period if the system is needed, it will be put in place.

7. Prescribes an unacceptable limit of 31.1 million tonnes for subsidized shipments. We say that that limit is acceptable because the 31.1 million tonnes is, as I've mentioned before, a record historical high and if this group feels that a higher limit should be proposed then I would like to know, and the Liberal Party of Manitoba would like to know, what limit they propose.

8. Provide central Canada with further artificial processing in livestock incentives. Again, we say that the only way to remove incentives, the artificial incentives that exist in central Canada for processing in livestock, is to shift from the Crow rate to the Crow benefit.

9. Not supported by consensus of Western Canadians. If we wait for the National Farmers' Union, the NDP and the Conservatives to agree with the Liberals, we'll wait forever. We say that this has been a proposal that's had a wide amount of discussion, consultation and it represents a point of view that is going to be as broad a consensus as you're ever going to get on as thorny an issue as the Crow rate.

That's what I wanted to say to the members of the committee and I would like to ask Mr. Ridgeway to address you now.

MR. B. RIDGEWAY: Gentlemen, before I start, David mentioned that I am now the Policy Chairman for the

Liberal Party in Manitoba. David was the Chairman at the time that resolution that he read to you in 1980, was put forward.

At the past convention of the party in Ottawa in November, there was a combined resolution put forward from Manitoba and Saskatchewan, which was passed in plenary session, which called for one thing in addition to what has come forward in the Pepin Plan and that is what I want to spend my time in speaking about.

That issue, and as a farmer and I am a farmer, is one thing that is bothering western farmers much more than the fact of the change in the rate. I think there's general consensus amongst the average farmer that the rate needs to be changed. Most farmers recognize the business principle that if there's a section of your business that is not at least paying its way, you shift to something else and that is where I support the Pepin initiative in paying compensatory rates to the railways, because unless we are giving the railway sufficient funds to move grain, they aren't going to move it. I think we've had that experience in the past.

The one area, however, that I think needs to be addressed and can be addressed effectively by this committee and all committees in Western Canada no matter of what political stripe or what legislature they come from, is the area of the actual cap on the cost to producers and that is what I'm coming back to in that resolution from '82.

That resolution called for a cap on the producers cost and that is not impossible to bring forward at this time. It's not impossible to put a percentage cap on tying it to the export basket price of grain, or doing it in the converse section and removing the 31-1 maximum cap on the other side. All I want to say to this committee, gentlemen, is that I don't believe either one of those issues is as yet engraved in stone by the Federal Government. It hasn't been because the legislation has not been put forward. I think now is the time for all of us as Western Canadians to get together and address that issue. I would call on this committee to spend particular attention and pay particular attention to those two areas. The area of the 31.1 million cap, and the actual total producer-paid portion.

I am not as concerned as some people are as to where the money goes, whether it's paid to producer or paid to railways. I like the producer payment portion of it because it does give a trucking option, which is not there in the direct-to-the-railway payment, trucking options particularly on the special crops areas. But again, just to express those two points, the 31.1 million cap and the area of the actual amount of money the producer pays, particularly in these inflationary times and the cost price squeeze that most of us in the agriculture industry are facing. Those are two points I want to refer to, gentlemen.

Thank you.

MR. CHAIRMAN: Any questions from members of the committee, for either Mr. Matas or Mr. Ridgeway. Mr. Orchard.

MR. D. ORCHARD: Mr. Matas, you took issue with point No. 4 in the resolution where it indicates it does not remove the distortion in rates by including all prairie crops and products under the new structure. Does the

Manitoba Liberal Party have a position on the issue that's recently been raised of the sunflower oil crushing industry, will not enjoy the same rate protection as both kanola and flax - flax being a new addition under the proposal - that the sunflower industry not enjoying similar status to kanola and flax seed that may be detrimental to the sunflower industry, and that the sunflower industry should probably be included in the issue?

MR. D. MATAS: I am aware of the issue and the problem has arisen because of inclusion, as you suggest, of flax in there. It's a problem that's arisen from the transition. If you ask me, does the Liberal Party have a position on that. We have not met to discuss that particular issue. I don't have a resolution that I can present to you that deals with it. It's an issue that's arisen because of the proposed plan, it wasn't an issue that existed before, and we haven't had a policy meeting to look at it since. So, I can't really tell you what that is.

You see, we support the government initiative, and as I say, we take some pride in it as well. But as a political party, we are at a level of generality. We're not into the level of detail that government is, which has full time civil servants working on this continuously. So when it comes to an issue like that, we don't have the continuous sittings and we don't have the continuous policy sessions that would allow us on a day-to-day basis to react. If it continues to be a problem, at our next policy meeting we will deal with it.

MR. D. ORCHARD: Well, failing that you have a position on it - and I can respect that because it is a relatively newly surfaced issue - but in general terms, in view of the fact that we do have a sunflower crushing industry in Manitoba and we don't have a flax seed crushing industry in Manitoba at present, would you not feel that sunflowers should certainly be included in that? Mr. Ridgeway is a farmer - he anxiously wants to get at the mike. Mr. Ridgeway, you would probably have a pretty good recognition of the problem this may cause to Altona and I would hope that the Manitoba Liberal Party might add their voice at the federal scene to your federal counterparts, to include sunflowers.

MR. B. RIDGEWAY: In answer to your question, David is perfectly correct, we do not have a position adopted by convention. However, with regard to western products, we do not believe that there should be further distortion between western products, and therefore flax, kanola, sunflower oil. So, therefore, I would agree with you that yes, sunflowers definitely should be included in. When these things are written up, they're written up by people in certain cases that are not absolutely totally familiar with all of the industries in all parts of the country.

Yes, I do believe they should be put in and it is one recommendation that is going forward, even without a convention resolution.

MR. CHAIRMAN: Mr. Uskiw.

HON. B. USKIW: Yes, while Mr. Ridgeway is there, Mr. Chairman, I would like to question him on his suggestion

that this package provides for a trucking option. I would like him to expand on that, because I am assuming he believes that the trucking industry would be in a competitive position with the railway system under the new arrangement. I would want to ask him, whether he would want to then, if that is a logical option, cost out to the trucking industry, the infrastructure cost that the provinces have to pay in order to allow the trucks to use the roads system and if that were the case, whether they would indeed be in a competitive position with the railways.

MR. B. RIDGEWAY: In answer to your question, when I made the comment with regard to the trucking option I was referring specifically to the Special Crops area, where they are trucked within the province to local crushers. Right now the Crow benefit only is applied to those commodities that move on the rail system. Therefore, shall we say, as a rapeseed producer to truck grain to Altona for crushing purposes, that is not covered under the Crow proposal at present; whereas, with money coming to the producer - a portion of that Crow benefit coming to the producer - some of the producer's individual cost, whether it be hiring a commercial firm or using his own truck, would be covered in that basis. I'm looking at it more as a local industrial development incentive than I am saying that it's going to be competitive commercially to truck grain from Manitoba to Thunder Bay in competition with the railways. That is not my suggestion, Sir.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Well, given that it is not your suggestion, how then do you justify the direct payment to producers who would then be in a position to use that option all the way to Thunder Bay, or all the way to Vancouver at the expense of provincial governments who have to maintain the road system right across the country? I mean, if the producer has the choice, given that transportation costs are the same or competitive as between trucks and railway cars, and a producer chooses to use the trucking system, then surely there's a cost factor to the provinces who have to maintain the roads. How do we then deal with the question of recovering those costs to the provincial treasuries in order to be able to maintain that system?

MR. B. RIDGEWAY: Well, to try and answer your question specifically, I can't, because I don't know what the trucking costs are between, shall we say, Winnipeg and Thunder Bay, or Winnipeg and Vancouver. I do not believe that they would be competitive in cost. Therefore, I think you're looking at something a fair distance down the road to come to the area of competitive costs. That's off the top of my head. I haven't got the statistics to be able to . . .

HON. S. USKIW: Let me then ask you the obvious question, Mr. Ridgeway. Should the Province of Manitoba use the same costing system in the building of its road network as the railways have been provided for by way of Snavely with respect to the new Pepin proposal? Do you think that would be fair that we apply the same cost to the trucking industry that Snavely

has provided for the railway industry, and therefore, charge back fees sufficient to cover those costs?

MR. B. RIDGEWAY: Well you're you asking me to make a statement on behalf of the party on something we do not have a position on, and I'm not prepared to do it.

HON. S. USKIW: My next question is, of course, not to Mr. Ridgeway, but to Mr. Matas who made the point of the Liberal Party's position on this issue from a Manitoba perspective.

I would like to ask you, Mr. Matas, are you aware as to the increased capacity for grain shipments that is going to be required in Western Canada over the next decade?

MR. D. MATAS: I'm sure I don't have the same awareness as you do. I have some awareness of it.

HON. S. USKIW: All right, let me then elaborate. Of the added capacity, grain will represent 16 percent of added capacity requirements in Western Canada. At the same time, the farmers of the prairie region and the Government of Canada through the taxpayer are going to be putting up 99 percent of the cost of upgrading the railway system in Western Canada. The balance of the commodities, that is 84 percent of the commodities that require this added capacity are coal, potash and sulphur; all mined and shipped west of the Province of Manitoba, in fact, west of, by and large, Saskatchewan, with the exception of potash. But the coal fields are essentially in British Columbia.

So, given the fact that the railways intend to spend about \$9 billion of additional money, and given the fact that the farmers are being asked to put up \$4 billion of the 9.5; the taxpayers are being asked to put up \$5.4 billion in the Pepin package over this decade, doesn't it seem odd that between the farmers and the taxpayers, we have to build a new modern railway system for C.P. and CN at costs not related to the grain industry at all?

MR. D. MATAS: In answer to that question, it's my understanding from what I've heard from the railways that this plan is a substantial incentive to the development of the rail network.

HON. S. USKIW: That's right.

MR. D. MATAS: The implication of your question is, of course, the rail network would be developed anyways. The railways have not said that. There's no indication to believe that they would develop the rail network anyways. They have said that because of this announced plan, they've taken initiatives for railway development that they would not have taken otherwise. So, the suggestion that we would have this railway development in any case because of the need to ship coal, potash or sulphur, just doesn't bear out.

I also point out that we've faced the problem in the past, of which I'm sure you're well aware, of the inability to get grain to market. We've not been able to ship all our grain and that's partly because of the rail system and its lack of capacity. It's also partly because of the

noncompensatory rates. As long as rates are noncompensatory; as long as they're 20 percent of cost, the railways are going to ship out products that pay compensatory rates in priority to products that do not pay compensatory rates. So, the farmers cannot expect, and most of the farmers across the prairies do not expect a continued improvement of the rail system with the present Crow Rate.

HON. S. USKIW: Mr. Chairman, I'm having some difficulty with your logic, Mr. Matas, 84 percent of new tonnage requirements are for coal, potash and sulphur. Are you trying to tell this committee that if we don't get the other 16 percent to pay the total bill, that we're not going to accommodate the shipments of the other 84 percent which is coal out of British Columbia, and potash out of Saskatchewan, and sulphur, of course? Are you really serious when you say to us no, the railways will not build up and upgrade their railway infrastructure in Western Canada because of the people that represent 16 percent of added tonnage, and that's based on the most optimistic view with respect to grain production expansion on the prairies; that's the most optimistic position; represents 16 percent of added tonnage which the railways will be asked to move in the next decade? Do you really believe that the railways will ignore the opportunity to deal with the question of tonnage requirements from the other three sectors which are just crying for development at the present time and which are being developed?

MR. D. MATAS: It's not my logic you seem to have difficulty with. It's the logic of the railways and perhaps that question you should be putting to them.

I'd point out to you that - I don't know whether 84 and 16 is right, that's something that you would have more knowledge about than I would - but I point out to you that there's items in the rail network; like the hopper cars; like the branch line rehabilitation; that have got nothing to do with coal, potash and sulphur. Those elements are only going to be developed if the railways have got some form of economic incentive to do so. If you're telling me that what the railways are saying is not true; that they're illogical; that they've got hidden plans; that their stated plans are not their real plans, then I suggest you talk to the railways about it, rather than to us.

HON. S. USKIW: Mr. Chairman, I would like to inform Mr. Matas, if I may, that the \$9.5 billion is an additional commitment to what is already being paid to the railway system for hopper cars and rail rehabilitation and so on. That's an additional cost that is going to be paid for by the farmers to the tune of \$4 billion and by the Government of Canada which is the taxpayers of Canada, \$5.4 billion over the next decade; that's additional. The total is over \$13 billion. So the additional public burden is \$9.4 billion, and it seems to me if we're picking up an additional \$9.4 billion, or if you want to make the argument, the total \$13 billion, then maybe we ought to own some of that infrastructure. That sounds like good business from my point of view. If I were a private investor and I put up \$13 billion dollars, it seems to me I would want to get something for it other than a commitment to move commodities that are going to be moved anyway on a commercial basis.

So we recognize - and I want to deal with the point you made in your submission that the New Democrats are bogged down with the idea that we maintain the old system - we didn't take that position at all. We said that the railways need more money for moving grain, but it doesn't have to come by way of changing the Crow rate to the farmers. It can come by way of extending to the railway system operating costs through government payments to the railways on an annual basis to make sure that part of the total package is dealt with in an equitable manner. To the extent that they are capital improvements to the railway system, the arguments that we have made is that if we put money into capital improvement, then we ought to have something in return for those public dollars and I think that's only good, sound business sense, Mr. Matas.

Thank you.

MR. CHAIRMAN: Mr. Matas.

MR. D. MATAS: If I may, that was a statement more than a question but I have a statement in response to that, if I might.

The way I see it, the New Democratic Party may not be completely maintaining the old system in the sense that they do want to spend money for railway investment, but they do want to maintain the present rate structure and that is the old system. — (Interjection) — For the farmers, that's right, which is the old system. That is where our point of quarrel is. I do not think it's good business to want to buy out a company from which I buy goods and services. I feel if I get the goods or the services for which I pay, then I've made a good business transaction. I don't expect to own the company as well.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I just have a couple of brief questions, and I think it's important to this committee and I think it's important to the people of Manitoba; and to Mr. Matas, the first question. You're speaking on behalf of the Liberal Party and so that we have an idea, basically, how broad a section that covers, could you give us an indication what is the membership of the Liberal Party in Manitoba?

MR. D. MATAS: 3,000.

MR. J. DOWNEY: Thank you. I have a question for Mr. Ridgeway. Would you agree, Mr. Ridgeway, that one of the main difficulties that the farm community have in Western Canada with the Pepin plan and the change that is proposed is the lack of trust that the farmers of Western Canada have in the Trudeau Government in Ottawa?

MR. CHAIRMAN: Mr. Ridgeway.

MR. B. RIDGEWAY: Mr. Downey, you're asking me to feel the political waters in Western Canada. I think you feel them the same way as I do. You go out and you test the waters. The support of the Pepin proposal, I think, comes from a broad section of people in Western Canada. There is concern. I don't think it's just concern

with the Federal Government; I think it's concern of the trust from the people of Canada, period, in any government at the present time, whether it be federal, provincial or municipal, and I don't think it really matters what political stripe. I think people are just beginning to be concerned, and not necessarily with the elected section of government, but they're becoming concerned with government, period, in all of its aspects right through the whole bureaucracy, right down to the ability to deliver services, and I don't think that reflects particularly on any political party or any political government; I think any political body in whatever government. It's a general feeling and I don't think it's just in Canada; I think it's worldwide, that distrust of any large bureaucracy, no matter what its political stripe.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Ridgeway, before you leave, I just have one question for you. You were asked about trucking costs, etc., etc., and whether the province should pay the infrastructure. Mr. Ridgeway, do you consider the licence fees paid by trucks who use our roads and the mode of fuel tax, particularly on diesel fuel, that is paid by trucking, people who operate trucks, as contributing towards the maintenance and construction of our highway system?

MR. B. RIDGEWAY: I'll have to give you a personal belief on that and I am prepared to do that. I believe that, yes, the tax that is paid on mode of fuel should be used for the maintenance of the infrastructure and that's the only purpose it should be used for.

MR. D. ORCHARD: I had a couple of questions for Mr. Matas. Mr. Matas, following up possibly on a scenario that was being developed earlier, and given a couple of circumstances: (1) that the Crow rate doesn't change, and (2) making the assumption that the railroads recognize the export opportunities in coal, potash and sulphur, and make the necessary capital investment particularly in the western region of the rail system to accomplish increased exports of coal, potash and sulphur; but given the first assumption that the grain rate doesn't change, would you anticipate that even with additional capacity that we would, using the existing Crow structure, as farmers, be able to achieve increased movements from the railroads?

MR. CHAIRMAN: Mr. Matas.

MR. D. MATAS: No, of course I do not. We would not, even if we had all the capacity that we needed to transport coal and potash or sulphur, that capacity, in the absence of compensatory rates for grain, would be used to transport coal, potash and sulphur. That's what I was attempting to say earlier, perhaps not all that clearly, in an answer to a question from Mr. Uskiw, and that has been our historical experience. That's not just idle speculation on the basis of some hypothetical assumptions. We have had, in the past, grain not moved to market and we've lost sales because grain was not at a compensatory rate and the railways simply did not have the incentive when the system was at capacity to do that.

So even in a situation where we have a great deal of capacity, in your scenario as it were, I think that we're going to have substantial problems exporting, being competitive, as long as we shy away from compensatory rates.

MR. D. ORCHARD: A further question to Mr. Matas. You, in your brief, had some concern with a position put out by, I believe, not necessarily the government of the Province of Manitoba but the New Democratic Party, in which they believe that any assistance to CP should be undertaken only by establishing an equity position, a public equity position in CP Rail.

In view of the fact that the CNR is 100 percent publicly owned, is it your opinion that CN basically views the necessity for change in the Crow rate the same as CP Rail does? Do you think there's any difference in the 100 percent public owned railway's view of the present Crow structure versus the private sector railroad?

MR. D. MATAS: No, it's my perception that there is no difference, that the CN, which is publicly owned, is suffering the same problems, or if you will, the farmers shipping grain to market through the CN system are suffering the same problems as they are shipping grain to market through the C.P. system. There is the same absence of hopper cars; the same problem of wanting to abandon branch lines; the same problem of lack of capacity.

If you remember, as I'm sure most of you do, during the last election the Liberals proposed double tracking of the railway system throughout the west. Now, the railways do want to do that and they do have plans to do that. But they've got to have compensation for the products that they're moving in order to be able to do that. Those plans are going to be economically not feasible if there is not going to be a payment for the products that are being moved.

I point out, this is something that is perhaps related to your question. It's not completely on but sometimes I've heard an argument in the past that the Canadian Pacific was given all these lands that they have and other benefits historically and, therefore, they should maintain the Crow rate. As I pointed out that argument certainly doesn't hold for CN which wants a shift to the Crow benefit as well and is in favour of the government plan now. Also, that there was a Royal Commission that looked into that very claim. The McPherson Royal Commission that came to the conclusion that there's no historical basis for that claim and that the C.P. was given lands to build the railway, not to maintain the Crow rate.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Matas, some figures have been dropped on the committee this morning about \$9 billion, \$13 billion, etc. etc. of investment. In terms of the federal contribution to rail redevelopment is it your understanding that there is roughly a 50-50 break in that spending of the Federal Government to be shared by CN, the publicly owned railway, and C.P. the privately owned?

MR. D. MATAS: When it gets to figures I'm a bit on shaky ground. I've seen them all but the trouble is I

think I've seen too many of them. These discussions have gone on for so long and the positions keep on changing and it's my understanding that they're both making substantial contributions. I've seen correspondence which is part of the public documents on the record between Pepin and the head of CN and the head of C.P. where he asks for investment guarantees and they're produced and there's a long list of them project by project, year by year, and they're both similar and they're both substantial. I couldn't say for certain whether it's 50-50 or some other percentage.

MR. D. ORCHARD: Mr. Matas, just one more question. Over the past, let's say the past decade, would you care to make an observation as to whether you believe that under the Crow rate system that we've had for the last 10 years that the publicly-owned railroad has performed significantly better in moving grain to export position than has the privately owned railroad?

MR. D. MATAS: I'd make a judgment, sure, it's my perception at least that it has not performed significantly better. The performance has been equivalent. The CN may be government-owned but it's run as a business, it tries to operate on the basis of making money as best it can. It does have a public mandate, that's true but when it's faced with the situation where it's not getting payment for a product, it's going to be affected by it and regardless of the incentive system in a public company, a public company needs cash to operate just the same as a private company. When a public company is losing \$4 for every \$1 it gets for shipment of grain it's not going to have the capital to improve the railway system. No matter whether it's publicly owned or not.

MR. D. ORCHARD: Then, would it be fair to assume, from what you're saying, Mr. Matas, that you would not necessarily see a performance advantage in moving grain from the suggestion that's been made that the Federal Government take an equity position in the private railroad system?

MR. D. MATAS: I see none whatsoever, in fact, as I've said before, the suggestion that the government take in equity instead of paying money to the producers means the maintenance of the present Crow rate, it means maintenance of the present distortion between Crow crops and non-Crow crops. It means maintenance to the present system for the disincentive to processing in the western part of Canada. It means the maintenance of the present system of high-feed grain prices and high grocery prices in the prairies. So I see no advantage in that proposal.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Matas, do you not see as a real risk factor the obvious and that is that Canadian taxpayers, through their Members of Parliament a few years down the road will start looking at these huge payments to western Canadian farmers as subsidies as opposed to an input into railway transportation in western Canada? Do you not see logical and natural political pressure especially during tight budget years at the federal system for a diminishing commitment in

that regard to the point where it will be eventually removed because of the fact that eastern Canadians will be very jealously looking at massive subsidies going to western agriculture? That's how it will be perceived. The Crow debate will have been long gone, the perception of the public will be in eastern Canada that these are strictly handouts to western farmers and that is in essence what is bothering the three Pools in the prairies, that eventually this system will lose credibility politically and puts the farmers in western Canada in a truly vulnerable position.

MR. D. MATAS: No, I do not see that danger, not at all. I point out to you and this is one of the things I was trying to say before, this initiative is not some sort of eastern or central grab at the Crow rate. The Liberal Party has proposed it, Manitoba Liberal Party, it represents in my opinion a consensus of the western people committed to reform of the Crow rate and any change in the system that is set up is also going to occur because of initiatives that are taken out of the west. I think that that represents an unrealistic fear and if that's the basis of the concern in the opposition to this change from the Crow rate to the Crow benefit then there is no sound basis for it.

MR. CHAIRMAN: Mr. Plozman.

HON. J. PLOZMAN: Mr. Matas or Mr. Ridgeway, I'd just like to ask you whether you feel the Pepin proposal offers protection against farmers against the application of variable rates by the railways?

MR. CHAIRMAN: Mr. Ridgeway.

MR. B. RIDGEWAY: I believe that the variable rate debate is, in many cases, being overplayed because it is not intended, in my mind, to bring in that structure, that the rate would still remain basically a statutory system because of the benefit being paid. I'm not saying in exactly the same manner as it is statutory now, but in a somewhat similar type of circumstance. No, I don't see the difficulty.

HON. J. PLOZMAN: You don't feel that there needs to be any protection against the application of variable rates then in the Pepin proposal, or any change in the transportation agreement or in the Crow rate here in western Canada?

MR. B. RIDGEWAY: Maybe I'm reading something in but I haven't seen the final legislation as yet. Neither have you, none of us have seen the final legislation that is going to be put before the House and I believe that that problem will be addressed in the legislation.

MR. CHAIRMAN: Mr. Plozman.

HON. J. PLOZMAN: Yes, I would like to ask about the feelings that Mr. Ridgeway has with regard to abandonment of branch lines in Manitoba? Do you feel that this proposal, the changes will lead to a further wholesale round of abandonment of branch lines in rural Manitoba?

MR. B. RIDGEWAY: No, I don't believe that it will cause a wholesale abandonment. I think there will be over a

period of time, as there is any industry, a rationalization of the grain collection system. And that the system that was set up forty years ago with an elevator every six miles has now gone by the board. We are now looking at greater distances and larger points. I think we are going to have some situations where we may be even having to look at off-track facilities. We may be looking at situations where there will be greater distances involved to more efficient facilities. I am not going to try and stand here and second guess what the grain companies are going to do with regard to their collection system. I think that has an awful lot to do with the railways' decisions as well. I don't believe, though, that it will cause a wholesale abandonment of lines.

HON. J. PLOZMAN: I just want to comment on that in terms of branch lines. The latest round as shown in my constituency, the Winnipegosis subdivision and in the Interlake, the Inwood subdivision being abandoned despite very strong cases made for the retention of those lines, with no consideration to the economic impact that it's having in those areas and without consideration to the rationalization by the grain companies of their facilities there. You mentioned that the grain companies were the ones rationalizing. That's not the case. The CTC is making those decisions and it's not considering the impact that it's having on rural communities.

I am asking you whether you feel that is satisfactory for that to continue in that same method or whether there should be protection against branch line abandonments in this proposal. Again, coming back to variable rates because what can happen is that lower rates can be charged in the larger centres and therefore it will make the branch lines less viable. It will provide an incentive for farmers, those with big enough equipment, with large trucks, to drive to the larger centres and therefore the branch lines become even less viable and leave a greater excuse to abandon them further.

It is having an impact in rural Manitoba. Would you disagree or agree with that?

MR. B. RIDGEWAY: I agree with part and disagree with other parts. When you make the statement that there have been lines abandoned without consideration, well, one of the lines branches operate about a mile away from my place, the one that goes up to Inwood. I know the situation there. The problem that comes in is in many cases is a pure cost situation. The ability, and that is why I mentioned off-track facilities, I don't think off-track facilities are things that cannot and will not work. I believe that they can work and they can be worked in. However, to ask me if I agree that within the Pepin proposal there should be a guarantee that all branch lines in Manitoba are going to remain for the next hundred years, no, I'm not going to say that because I don't believe that they should really. That all of them are going to necessarily remain viable. Things change.

HON. J. PLOZMAN: Mr. Chairman, just a correction on that. I did not say all, but there is no protection and I am asking the person who's making the presentation, Mr. Ridgeway, to comment on whether

he felt there should be protection. I did not say that all, without any consideration, all branch lines should be automatically protected. Just for the record.

MR. B. RIDGEWAY: I think that there is protection under current systems for branch lines and for representations to be made and for hearings and everything else to be made, the same way that we come before this committee to make a pitch on behalf of a proposal. I think the same thing is true with branch lines. Now, whether you agree that CRTC is doing the job right or wrong, that's an opinion on your part.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, to Mr. Matas, I want to be brief because I think we should move along as well. Mr. Matas, you as a representative of the Liberal Party of Manitoba would have a fairly good connection with the present Federal Government in Ottawa I would think. Do you believe, or do you have information, could you provide this committee with information that the Federal Government is going to proceed regardless of the submissions and hearings being made in Manitoba at the current time, that the present Pepin Plan will be presented and passed regardless of these hearings?

MR. CHAIRMAN: Mr. Matas.

MR. D. MATAS: First of all, I should say, I like to think that I'm connected with the members of the Liberal Party that form the government, but I am not part of the government. I am not a civil servant and I am speaking for the Party. I don't have access to confidential information. I am not a sworn member of the Civil Service. Even if I did have access to confidential information, and I was sworn to secrecy to give it, then it would be violation of my oath to give it so I couldn't really give it.

All I can tell you, is my own expectations. I would say that my expectations are, and it's certainly my hope, that the government will proceed with this plan. That is not only my hope, but that is the hope of the Manitoba Liberal Party. This represents, in substance, our proposal. We would like to see it passed and we hope to see it passed. We urge the government to adopt it and I would like to think I expect it will be adopted.

However, when it comes to details, when it comes to drafting the legislation, when it comes to specific figures and items, that is something that is open to representation. As Mr. Ridgeway said before, the details are not etched in stone when it comes to figures like the 31.1 million tonnes. That may be subject to representation and change.

If this legislature is going to take a totally negative attitude and say, we reject, which is what you've said up to now, yes, I say then, the Federal Government will go ahead and not accept your proposal to reject. If this Legislature is prepared to take a constructive approach to adopt the general lines of the proposal and to make some suggestions for changes in the specific elements of the proposal, then my anticipation is that the government would listen carefully to those specific suggestions.

MR. CHAIRMAN: Other questions, Mr. Downey? Mr. Uruski. Mr. Manness. Any further questions from

members of the Committee? Hearing none, Mr. Matas, Mr. Ridgeway, thank you very much for appearing here today.

MR. B. RIDGEWAY: Thank you for listening to us.

MR. CHAIRMAN: The next person from out of town on our list is Mr. Paul Orsak, representing the Palliser Wheat Growers. Mr. Orsak.

MR. P. ORSAK: Thank you, Mr. Chairman. I notice that it's 11:40 already and that the last round has taken an hour and a half. I hope it isn't the same with me because I won't be able to stand that long past dinner.

I have copies of my brief and they haven't been submitted to the committee. Is it the time to do it now or after?

On behalf of the Palliser Wheat Growers Association, I want to thank the Manitoba Government and the Standing Committee on Agriculture for providing us with the opportunity to appear. Before I start, I would like to introduce a fellow that I have with me, Mr. Herb Watson, behind me here, who is a director on our board. He's from Treherne, Manitoba. I'm Paul Orsak. I'm the committee chairman that the Palliser Wheat Growers struck a special committee just to look into the issue of grain transportation and the Crow in particular, so I'm the chairman of that committee. I think at this time I'll get into the brief that I've prepared.

Palliser Wheat Growers believes that the Crow reform is essential to the future prosperity of western farmers and western agriculture in general. We therefore commend Mr. Pepin and the Federal Government on initiating that reform and for basing their reform on sound economic principles of efficiency and responsiveness. We believe that the last thing we need is an institutional transportation policy that fails to respond to the needs of farmers. The Pepin proposal is a positive step towards achieving those needs.

Palliser Wheat Growers policy on Crow reform is based on the belief that any transportation subsidy for western grain should be placed first and foremost in the hands of farmers. It is intended for farmers and, therefore, should be paid to them. We believe that way the most benefit can be derived by the farmer. He has then a choice of what to do with the money. The net cost to farmers for grain rail freight will be the same if the money is paid to the farmer or if it's paid to the railway. Whatever money that is not paid to the farmer will have a greater chance of being siphoned off by railways, grain companies, or even overseas buyers of grain than if the money is given to farmers.

Bearing this in mind, and realizing that the proposal is not yet beyond compromise, Palliser Wheat Growers strongly supports the federal transportation initiative. It is time prairie farmers were released from the constraints of an antiquated, inefficient rail system for moving our grain. It's also time to be released from distortions vis-a-vis feed grain prices, so that a truly diversified agricultural sector can flourish and benefit all in Western Canada. We believe the Pepin proposal is an important first step towards achieving those goals.

Our support, however, is not without qualification. We are urging some modifications to the plan:

(1) The proposal calls for the Crow benefit payment to be shared approximately 50-50 between producers

and the railways from 1985-86 onward, unless a legislation change is made at that time. We believe strongly that 100 percent of the benefit money should be paid to farmers. At the very least, we say that 81 percent should go to producers, as suggested by Dr. Gilson in his report on the negotiations that were held. Further, it should progress without need of a legislative review.

(2) Producers should not be responsible for more than 4.5 percent inflation after 1986-87. That's the second qualification, if you like, that we've put on it.

(3) The 31.1 million tonne cap should be removed. While we realize that an open-ended agreement would not promote or encourage good fiscal management on the part of government, we think that raising the cap 40 million tonnes, or thereabouts, is reasonable.

(4) All government share of inflation must form part of the producer payment. This way the farmer, not the railways and the grain companies, is in more control over this evolution of the new transportation and handling system.

(5) Railway companies should be required to disclose and publish full rail cost data, as well as income sources regarding all rail movement. This, we believe is only fair in the light of the more or less monopoly position that they can have at certain points.

(6) The legislation must include a mechanism to guarantee railway performance and ensure that farmers share in the increased productivity resulting from the plan as a whole, and that's increased productivity of the railways. We want a share in that increased productivity.

(7) If rates are to be set by a government body such as the Canadian Transport Commission, then those rates should be maximums only. Railways should be required to post their rates in elevators, but be allowed to repost lower rates without notice. Any increase in rates - not to go beyond those maximums - should require a period of 60 to 90 days notice.

With these minor qualifications, we support the thrust of the Pepin plan. We believe it is a plan in line with our view that economic development and agriculture are closely linked in the west.

We cannot forget that when the world economy turns upward and the rail system is tested, coal, lumber, cars, potash, Toyotas, whatever, other freight that pays its way, will push aside grain movement unless there is Crow reform.

Palliser believes in farmers' ability to change, and we are therefore not fearful of what in reality are very low increases in the freight rates in the next few years. Productivity responses by the transportation system need only be slight to offset the increase in rates. An increase in car turnaround by only half a day or 2.4 percent increase in that productivity will completely offset the increase by lowering rail cost and carrying charges. Just a half day's increase from our present, somewhere around 21 days to 20.5, will go a long way towards offsetting any cost increases. A mere 1 percent increase in grain prices from current very depressed levels also offsets increased costs. A shift in crop mix to higher value, low volume crops such as wheat and canola can also help. Of course, any combination of these and other responses will overcome increased costs.

In fact, Palliser believes that a combination of all responses, both system responses and farm responses,

will increase the net incomes of farmers. That is precisely the reason for our support of the federal proposal.

If we don't take the responsibility to improve our transportation system now, the results could be disastrous. For every bushel of grain worth \$4.50 - and that's an approximate value for a weighted bushel of grain, taking into account that rapeseed might be somewhere around 6, and wheat 4 or 4.50, and barley 2.50, whatever - that we store at 15 percent interest, it costs us 67.5 cents in carrying charges for a year; that's 5.6 cents per month. Three months of carrying more than eats up the present Crow rate. If we shift our deliveries from the farm, from the present schedule, to only one month sooner - and we're going to have to do this if we're going to tack on some more tonnes at the end or above the 31 million tonnes; we're going to have to be shipping the present 31 sooner - then the interest saving alone will offset the increased freight cost for several years to come. Then after that will come the benefit of being able to ship larger volumes of grain, which will, of course, only be produced if there is a margin of profit in it for the farmer and if he can meet his production costs. Anyone who suggests that farmers will produce additional volumes without meeting the costs of that increased production, plus a margin of profit, is guilty of promoting misleading economic logic.

In summary, for the reasons outlined in this brief, Palliser Wheat Growers supports the federal initiative to reform the historic Crow's Nest Pass Agreement. Our support is qualified by the points outlined, but we do not believe the passage of legislation embodying the principles and objectives we've stated should be jeopardized by the insistence that changes which would violate these principles be included. The proposed legislation must be passed, and passed as soon as possible, so that we can get on with the job of growing and marketing our product.

That's the conclusion of my formal brief, Mr. Chairman. I'd ask that the committee members aren't too hard on me. This is my first time that I've ever done something like this.

MR. CHAIRMAN: I don't think they'll be too hard on you, Mr. Orsak. Any questions for Mr. Orsak from members of the committee?

Mr. Orchard.

MR. D. ORCHARD: Well, Mr. Orsak, I posed a question to the first brief this morning there that there has been identified problem with sunflower oil and meal not being included in the proposed new rate structures. I think it was simply an oversight. Would the Palliser Wheat Growers, although your name implies wheat growers, in the interest of western economic development support, the roll in of sunflower oil and meal into the rate structure that is being proposed for both canola and flaxseed?

MR. P. ORSAK: While we are a Wheat Growers Association, we have members of course, who are sunflower growers too, and we are interested in the complete agricultural sector. We have discussed the inclusion of other crops to be included in this new

statutory rate. The concern of our members at the time of those discussions, if I remember, was that if crops like sunflowers, or lentils, or peas, or anything be included in the new statutory rate. Would it also mean that we are going to be imposing quotas in the production of that stuff, because we're going to have to share then in the "grain rail fleet" the same way as wheat or barley or other crops are. So there is going to have to be a sharing there if they're going to be under the same rate.

MR. D. ORCHARD: Theoretically though, Mr. Orsak, I think that it's assumed that right now sunflower oil and meal take up a given percentage of the fleet rate right now and they're already into the capacity mix that's there. The position put out by the industry, and I'm not saying whether this position is right or wrong, but the position the industry has put out is that if they're not included in the same rate structure that's been proposed for flax and canola, that there is a possibility the sunflower industry would not increase but, in fact, decline and maybe even disappear from Manitoba. It was in that regard that I was wanting to see if Palliser had a position of agreement or disagreement with inclusion of sunflowers and meal?

MR. P. ORSAK: We hesitated the last time we met to adopt any firm position on that. We believe strongly in the commodity approach to farm groups so we've kind of left that up to the pulse growers or the corn growers or whoever to adopt that kind of a thing. Further to that I can tell you that at one time I was involved in the shipping of sunflowers from Manitoba. When we wanted rail service, gosh, we got it in an awful hurry. In fact, the tripped over themselves, the railways did, trying to get the business, and we got fantastic service. So I don't think the sunflower industry is going to die because we got fantastic service from them.

Furthermore, as far as the farmers' point of view, the Crow benefit, as I understand it, to be paid to the farmer is going to be based on an acreage or a land-based payment. Farmers will be getting some Crow benefit on those acres that they grow sunflowers on.

MR. D. ORCHARD: In your qualifications to Palliser's support to the Pepin proposal your concern is that in 1985-86 you stop at the 50-50 producer-railroad sharing and that to continue to the 81219, as Gilson proposed, that's going to require a legislative amendment. Would you have less concern if the emphasis of the legislative review was changed in that the legislative review would only legislate a stop to a further change rather than be required to legislate the continuance of a further change, just the converse emphasis?

MR. P. ORSAK: That's precisely what we mean. We realize and we were, as part of the commodity coalition, major architects, if you like, in the end result of what came out of Gilson. We realize that maybe we weren't 100 percent right in everything we wanted. Legislative review three years down the road maybe even we're going to want it, but we would rather see legislative review stop a bad process than stop a good one.

MR. D. ORCHARD: That's fine for now, thank you.

MR. J. DOWNEY: Just a couple of brief questions I'd ask Mr. Orsak, what is the membership of the Palliser Wheat Growers Association in Western Canada? Approximately, is fine.

MR. P. ORSAK: I think the membership is approximately 2,500 paid members. It's a voluntary organization that you pay a membership fee to belong to, annually.

MR. J. DOWNEY: Mr. Chairman, do you believe, Mr. Orsak, regardless of whether the Agriculture Committee in Manitoba object, or this process we're going through, will it have influence on the Federal Government or do you believe that they will proceed to pass this legislation anyway?

MR. P. ORSAK: Mr. Chairman, I can't, at this point, second guess what the Federal Government is going to do regarding this proposed legislation. As far as this committee opposing that legislation, I would strongly recommend to the committee that they do not propose it other than with some qualifications if there are parts of it that they don't like. To stop a process of change which has been going on for at least two years and longer I don't think it would be responsible of the committee to stop that change. Bearing in mind that we are going to be coming up on a federal election and this is a hot political issue; no one is going to want come into a federal election with that kind of an issue. As you can see now even amongst parties there isn't total agreement on it.

MR. CHAIRMAN: Further questions Mr. Downey? Mr. Uskiw.

HON. S. USKIW: Yes, I would like to pose one question in particular and that has to do with direct payment to farmers which you seem to prefer very much. I think you advocate in your brief that it be 100 percent. Do you believe that farmers should have the option of hauling their grain by truck versus rail?

MR. P. ORSAK: I certainly do believe we should have that option if it's economic, we'll take that option if it's not economic we won't.

HON. S. USKIW: How would you define whether it's economic or not, from your perspective.

MR. P. ORSAK: From my perspective as a farmer I would assess, and I'm reading in this question a highways question coming next.

HON. S. USKIW: That's right.

MR. P. ORSAK: As a farmer I would assess the total system cost and it would include my taxes, my fuel taxes and road taxes. It would include my elevation costs in the primary elevator. It would include the freight bill.

HON. S. USKIW: That raises a number of questions then. The farmers do not pay tax on fuel at the present time.

MR. P. ORSAK: Commercial truckers, I believe, pay fuel tax, don't they?

HON. S. USKIW: That's quite open to question right now.

MR. P. ORSAK: In Manitoba you may have 5 trucks that don't.

HON. S. USKIW: No, no, quite a few more than that.

MR. P. ORSAK: So that we do pay road taxes. If I pay my trucker a fee to haul my grain, I'm indirectly paying road tax.

HON. S. USKIW: Should the road taxes be costed out on the same formula that railway infrastructure costs have been costed out by Snavely, in your opinion?

MR. P. ORSAK: I heard that question on the last presentation and I didn't understand it then, and I don't understand it now.

HON. S. USKIW: Snavely indicated that there's a certain cost to building railways. His recommendations were that the Government of Canada subsidize the railway system based on his analysis of those costs. We question them; we think they're high, but that's neither here nor there. If we accept that in principle, that costs have to be recovered, should they have to be recovered from the road system in the same way? We're talking about efficiency.

MR. CHAIRMAN: Is the question clear, Mr. Orsak?

MR. P. ORSAK: Palliser Wheat Growers bases pretty near all of our policy positions on economics. We pride ourselves in being economists rather than philosophers or politicians, so from that point of view, I'd have to give a qualified yes. But there's an inference in that kind of a question in that the grain transportation over the highways is going to wreck the highways and I'm not so sure that's going to happen, because I don't ever want to see a lot of grain trucked. I think the railways are going to be able to do it in a far more economical way, but just to have that option there is important to me. The U.S., it's said, has problems with its road system and it's deteriorating, but the fact is it's been deteriorating for 20 years. It's not because grain has started to come onto the road system.

HON. S. USKIW: I'm not really talking about grain traffic costing alone, but in doing an economic analysis, costing out the highways system, would you agree that 20.5 percent on capital and 20 percent on overhead is a reasonable formula? In other words, the same formula should be applied to the highways system and charged against the whole trucking industry, the users of the highways.

MR. P. ORSAK: I have a hard time trying to grasp what you're getting at. With regards to the 20 percent or 20.5 percent of return on investment to the railways, that was arrived at about two years ago when interest rates were around 18 to 20 percent, so it reflects opportunity cost. At the present time, if it were redone, I'm not so sure it would be high.

HON. S. USKIW: Well, just to help you out, Snavely says that it cost 20.5 percent on capital just to move

grain, and another 20 percent of overhead to move that grain; that's their formula and that's what's in the Pepin Package, so I'm not arguing whether those numbers are right or wrong. But assuming they're right, is it reasonable to apply the same costing formula to the highways system so that we can then charge fees and taxation on fuel and whatever it takes, so that the public indeed gets their costs out of the highways system?

MR. P. ORSAK: I think you're asking me a philosophical question as much as an economic question.

HON. S. USKIW: Not at all - straight economics.

MR. P. ORSAK: I would have to agree that perhaps you should do that. I don't know what percentage of capital breakdown there is between the truck and the road. Is the truck worth more than the road or the road worth more than the truck? Then if the truck is worth a lot of it, we're already paying it.

HON. S. USKIW: The railroad system has an initial capital cost which is quite substantial. A highways system requires a reconstruction and rebuilding about every 15 years and someone has to pay for that. The point I'm trying to make, or the question I'm trying to put to you, is whether it's reasonable that the taxation system of the country subsidize the railway system, and then in turn subsidize a truck transportation system that will be in competition with the railway system? Can we afford to subsidize two systems side by side or should one complement the other? That's essentially the question.

MR. P. ORSAK: Without having facts and figures on percentage of grain traffic on the road compared to others, I don't think I'd be prepared to answer that question of whether or not I could afford it. I would think, off the top of my head, that we probably could, because I don't think that grain transportation is a high percentage of road traffic or contributes a high percentage towards the deterioration. So if you want a yes or a no, a qualified yes is what I'll give you.

HON. S. USKIW: You'd say yes to that. Okay, that's fine.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, the Minister has been posing these questions and I think it would be of value in the afternoon, when the Minister is posing these kinds of questions, that he point out to the member that in this years Highways Estimates that we're about to pass, we've got, I believe the figure is \$140 million, dedicated to capital reconstruction of highways, plus maintenance and that, if my memory serves me correctly, the collection of fuel taxes from vehicles using the roads, plus registration and licence fees, and not including fines related to highway traffic offences, equate about \$135 million. We are already at a user pay system in Manitoba well within less than 10 percent. So that, Mr. Orsak, any of the difficulty you might have had in answering that question maybe would be relieved

in knowing that we are currently, with fuel taxation, licence fees and registration, and I think if you rolled in the Attorney-General's collection of speeding tickets and other related offences on the highways, we would probably be at a user pay system on the highways of Manitoba.

MR. CHAIRMAN: Mr. Orsak.

MR. P. ORSAK: That is precisely my point and with me not having access to that kind of figures up here, I couldn't answer. As I said, that's the situation that I suspected could be true.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'd like to ask Mr. Orsak about the payment to farmers. You indicate, throughout your brief, that you would like to see 100 percent of the benefit come directly to farmers. Manitoba Pool Elevators makes the claim that there could be some stigma associated with that. Do you buy that argument at all?

MR. P. ORSAK: Frankly, I don't at all. The argument is that taxpayers of this country are going to see it as a subsidy to farmers if it's paid to farmers. The corollary of that is if the taxpayers of Canada see a subsidy paid to the railways, and the CPR is the biggest company in this country, and the taxpayer sees the government subsidizing the CPR, that could bear the same kind of implications.

Another argument that I'd like to present whenever that question is asked, the Crow rate is 86 years old and it's been a contentious issue probably for 87 years and I think the political clout of the farmers has kept it that long, so we're not without our own political influence. Some farmers at least have been able to lobby and keep that historic agreement in place. So what makes anyone think that argument is valid? I can't buy it frankly.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Orsak, in your brief you cover some seven or eight concerns and a full half of those are reflected in the resolution passed by this House. Indeed, some of the concerns are quite specifically similar. Have you given any thought whatsoever that indeed there could be those who have not expressed support for the Pepin initiative and appear to be quite intransigent? Have you given any thought to the concept that they might be doing it just to secure a better deal, one that will answer your qualified concerns that you point out in your brief?

MR. P. ORSAK: My answer to that would be that I think a lot of the opposition that has come to this proposed legislation is perceived to be total opposition. It's been my experience in the last few months - and I have been lobbying hard to have some of these concerns addressed but not at the risk of jeopardizing Crow reform as a whole. Any legislation that is passed can be amended, rejected at a further date. So that it's not going to be something that is cast in stone,

but we strongly believe that there is reform necessary. These qualifications that I've listed are really minor to the total package. They aren't really qualifications asking for major change. It is just methods of doing the same thing that we would like to see done different.

A total obstructionist type of approach, you know. It scares the heck out of me, because some of the indications that I have got out of Ottawa are that it could be jeopardized if we don't give at least qualified support.

MR. CHAIRMAN: Further questions, Mr. Uskiw.

HON. S. USKIW: Just on that last point that Mr. Orchard raised with you about the cost of highways and the revenues, what I was trying to ask you before is whether the formula should apply the same way between railway costing and road costing. If we were to apply that, we would have to value the value of our provincial highways at about \$3 billion against which, according to Snavely, we would want to charge 20.5 percent on the capital. That gives us an annual return of \$600 million on capital, and then we would have to charge an overhead for maintenance of 20 percent.

So you can see what kind of numbers we're looking at if we are going to say, let's treat highways in our costing to the public - I'm not saying to the grain farmer, but to the public - under the same formula that Snavely is using and Pepin has accepted as a reasonable formula with respect to the changes in the grain transportation system for the railways. So if you are saying yes to that question, will you still want to say yes to that question knowing the numbers that we are talking about, namely, several hundred million dollars a year of new revenue that the province would have to receive from the users of its highways, over and above what they're getting? Would you still concur that is a rational way to deal with this question?

MR. CHAIRMAN: Mr. Orsak.

MR. P. ORSAK: That adds up on my piece of paper here to about \$628 million or so for return on investment every year, investment in highways. I would wonder what percentage of that would be grain.

HON. S. USKIW: Whatever, it doesn't matter.

MR. P. ORSAK: If it's 10 percent, that is 62 million or 63 million. You know, you're getting me into this philosophical argument of whether we should have toll bridges or a public transportation network. I don't want to get into that. — (Interjection) — Well, we are. We are paying for it through revenue that we get from the commerce that goes on in those highways. To me, this is more of a philosophical question than an economic one. I don't want to answer any more on that one.

HON. S. USKIW: I just want to follow up on that. You said, sir, in your submission and in your added comments that you would want to look at this strictly from an economic point of view. Of course, that's what the Pepin Proposal says they are doing; that is, that they want to recover a compensatory rate for the movement of grain on the railway system. You are

saying, let's have it both ways. Let's allow people to use trucks or rail cars depending which is economic or efficient. I am saying to you, well all right, if that is so, would you agree then that we should do a costing system on the highway system that is economic and charge the economic value to the users? That's got nothing to do with philosophy; it has to do strictly with dollars.

MR. P. ORSAK: I would say, yes.

HON. S. USKIW: You're saying, yes. Okay, that's fine.

MR. P. ORSAK: I would be prepared to sit down with you and to figure out those numbers and just see what they are.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, you know, the Minister is making a point here and he's expecting everyone to have a knowledgeable opinion on what Snavely proposed and what Pepin accepted in theory. The Minister's argument is not with the people who present briefs here. The Minister's argument should rightfully be, as a member of the Highway Transportation and Safety Ministers, with the Federal Government in the nature of the CTC Costing Order No. 33. Because, if the Minister wants to present a threat of a similar costing system in Manitoba whereby he recovers \$628 million a year as a 21 percent contribution to the overhead costs of the investment that is in place in the highway system of Manitoba that's paid for, then he must also surely recognize that there would be no fuel taxes; there'd be no licenses charged to trucks. Because how would a department that only spends 175 million in total now garner \$628 million? Then he would eliminate all his user fees and so there would be . . .

MR. CHAIRMAN: Order please, order please. Does the member have a question or is this a long preamble for a question for the person presenting the brief?

MR. D. ORCHARD: Mr. Chairman, I think we have had a long preamble to the last Minister's statement whereby he indicated that certain things were taking place.

MR. CHAIRMAN: With respect, Mr. Orchard, I wasn't suggesting you were out of order. I was suggesting that I did not want us to get involved in a debate between members and I was hoping that you would be concluding with a question.

MR. D. ORCHARD: Mr. Chairman, I won't end with a question but maybe, Mr. Chairman, I might end with a suggestion that where an argument is being presented by the Minister that really is an argument between himself as a head of a government and the Federal Government into the costing methods that the railroads are using, he should disagree with the Federal Government on that. I suggest that this is not necessarily the place that we do that. You might want to consider the order of that.

MR. CHAIRMAN: This is also not necessarily the appropriate time for members to get involved in a debate. It's the most appropriate time to ask questions.

Are there any further questions for Mr. Orsak, with or without long preambles? Seeing none, thank you very much for your presentation and thank you, Mr. Watson.

The next name on our list is Mr. W. B. Harder of Lowe Farm. Do you wish to proceed with Mr. Harder, considering the time, or reconvene at 2:00. Proceed, Mr. Harder. The Clerk has copies of the brief.

MR. W. HARDER: Thank you very much, Mr. Chairman. I certainly hope that this committee can deal with the transportation problem a little more hastily than they did with the problem of getting to Swan River and whether or not to attend the Manitoba Pool Elevator Meeting.

My name is W. "Butch" Harder. I am a grain farmer in the Lowe Farm area; I also operate a partnership grain farm with my brother at Headingley; and for the main, I guess, I'm representing myself here today.

Because people in the press tend to do a lot of labeling, I think it only fair to state which farm organizations I belong to, so that each of you may make up your own mind, and also to indicate the genuine concern I have for this whole topic of the Crow rate. I have been a member of the National Farmers' Union since its inception, and was a member of the Manitoba Farmers' Union before that. I have been a member of Manitoba Pool Elevators ever since I started to farm and a delegate for Manitoba Pool for the last 15 years and I'm still a delegate. I'm still not sure whether I'll be seeing you at Brandon or not, but be that as it may. I'm also a member of Federated Co-op and as well, I'm a member of the Canadian Seed Growers Association, - and so because of my membership in the latter two organizations, it could be argued if you wished, that I am more a member of the Farm Bureau than any other organization.

While I have long been concerned about the Crow rate and the sort of press it has been given, my real concern started when the announcement was first made that Dr. Gilson was to hold Crow rate negotiations, later on changed to consultations, for obvious reasons.

There were those farm leaders who applauded the choice of this individual as one of the best (next to Adam and Eve, of course). However, given his past record - I'm referring to Dr. Gilson - I personally did not have nearly the confidence in this individual's ability to make wise recommendations on behalf of the farmers, and subsequent events have proven my fears were well-founded.

The other thing that concerned me was the reaction of the press and the headlines that were printed. The headline in the Manitoba Co-Operator - and I don't have that with me - comes to mind, which said in effect that only the National Farmers Union and the NDP oppose the Gilson consultations.

I want to dwell on that point just a little bit because I think it's important. In the first place, there has been a longstanding attempt by the media to discredit anything the Farmers' Union has to say by simply identifying it with the NDP.

These people seem to forget, and there are members here who seem to forget that the riding previously represented by Don Orchard, was, Mr. George Henderson, who was a longstanding Farmers' Union

Member; the Member for Morris, Warner Jorgenson, used to be an executive of the Manitoba Farmers Union. In fact, his picture is still hanging in the regional office. — (Interjection) — It's not there now. I don't know what happened to it. But I really want to make that point and I don't want to get into a political argument because I'm not a political person. I really just want to make the point that that is a point that was often forgotten and I would only wonder why.

The media has given the steam-roller effect that the Crow must go and that there was just no other way. They gave the impression that it was only the likes of the NDP, the Farmers' Union, and old fashioned uneducated farmers who did not want the Crow rate changed. For awhile I almost wondered if that wasn't the case, until I really listened to the news. By accident, I happened to turn on the TV one afternoon and saw the Federal Government in action. Upon watching more closely I heard people like Alvin Hamilton, Don Mazankowski and other prominent Conservatives speak out against Crow rate changes.

Then I began to watch and read other news events more closely and realized there were other prominent people such as Emmett Hall (not NDP background), Charles Gibbings, a former Canadian Wheat Board Commissioner, and others who were speaking out against Crow rate change, but these people were kept in low profile.

Closer to home there was, I believe, a University of Manitoba study done that indicated no benefit in Crow rate change. I believe that Dr. Tyrchniewicz was the one that headed that study. Again that to my knowledge was not given all that much press.

Still closer to home, our friend, Jim Downey, was questioned at the Manitoba Pool Convention about the railway getting more money and he indicated that they were already receiving much more than Crow rate, and that when one considers the grants for branch line rehabilitation and rolling stock provided by the Wheat Board and by the federal and provincial governments.

This brings me to the key point that has never been answered to my satisfaction. When one considers the rolling stock, etc., how many cents per bushel are the railroads already getting over Crow rate? Are they getting .75 cents? I don't know, and apparently no one else does either, and I find that incredible.

For all the negotiating that was to have taken place, this point was never made during the Gilson exercises. Another thing that I find incredible is that Mr. Pepin spoke much about compromise and consensus and giving and taking that took place during these so-called negotiations.

What concessions did the railroad give? Did they at least offer to give up those so-called, almost worthless, remaining concessions that they received for Crow rate in the first place? No, they didn't. They were never asked this by any of the people who were driving this supposedly hard bargain on behalf of the farmers.

One of the main reasons for enticing farmers to think of changing the Crow rate and to enter into the Gilson consultation was that if the railway received more money, they would guarantee to haul the grain. This guarantee is already in Section 262 of The Railway Act, I'm told, and a fact that seems to be continually ignored by farm organizations and newspaper editorials.

But as early as June 24th, an article in the Western Producer headed "Service Guarantees Nag CN",

already quoted the president of the CNR as saying that if bureaucracy is set up to monitor the performance of the railroad, they will have to set up another bureaucracy to protect themselves from this bureaucracy. Can you imagine that? This they were already saying before the Gilson Report was released. If one talks to people who are presently involved in the Pepin Proposal and negotiations, they are already saying things like "Well, it's quite hard for anybody to guarantee anything."

Another main promise of the Crow rate review was that variable rates would not be introduced or even discussed, and yet one hears strong rumours that these will eventually be introduced in one form or another. I believe they're more than strong rumours.

The other bad point in the Pepin Proposal is the restriction of the 30 million or whatever tonne export ceiling, after which farmers pay full rates. How can people who normally say that farmers need incentives to produce, applaud something like this? How can people, who sometimes hint that the Wheat Board is too big a bureaucracy, justify setting up another bureaucracy to monitor the Canadian Wheat Board as proposed by the Pepin plan?

As a Pool delegate, I have to accept some of the responsibility for entering into negotiations in the first place, but the way that things stand now, one would be a lunatic to think that there ever was or ever was meant to be any negotiations.

Our Pool Subdistrict Council at Morris, just this Monday, passed a resolution which stated in effect that because we have seen little evidence of meaningful negotiations, that MPE immediately consider withdrawing from negotiating the Pepin Proposal. Even stronger objection to the plan was voiced by some 400 farmers who attended the meeting held recently at Oak Bluff. When Mr. Pepin says that this was the greatest compromise since Adam and Eve, it is a slam to the intelligence of the Canadian people. Just last night I attended a district meeting of the National Farmers Union in Miami and they said they would have no trouble saying that I could recommend a brief such as this on their behalf.

There are people who say that the Crow rate is an old outdated agreement, that it does not apply in today's world. Would these people say that Indian treaties and bilingual agreements are also outdated? I think not! The comparison may not be entirely the same, but I think the point must be made.

There are those who talk of \$1 billion in extra farm earnings projected from livestock products as a result of Crow rate changes. These people, I would like to ask the following: Where will the livestock be produced? Where are the markets and at what price?

I have listened to some of the problems and, as usual, it is easier to find problems than to find answers. What then should be done if indeed there is a transportation problem? I think the approach that must be taken is the same as with any other business or farm; that one would be to look for methods of improving efficiency. What would be the long-term savings in efficiency of joint track usage by the CN and the CPR, especially in the Fraser Canyon? If this were done, would it be necessary for both railroads to double track and build those expensive tunnels? Will the the extra tunnels be necessary when Prince Rupert is fully developed, or if

Churchill is ever upgraded? We should study the European rail system and see if we can learn anything and apply those things in Canada. The list goes on and on.

I will now for the first time take material from someone else's brief, and I refer briefly to the "Submission to the Government of Canada on the Subject of Retaining the Crow Rate on Grain," as presented by the National Farmers Union, March 3, 1981, wherein they point out the following: Since 1951, we have had three major studies in Transportation; none of them have recommended changing the Crow rate. They are: The Turgeon Royal Commission on Transportation, 1951; The MacPherson Royal Commission on Transportation, 1961; and The Hall Commission on Grain Handling and Transportation in 1977.

I repeat - none of these recommended removal of the Crow rate. I don't pretend to know everything that was in these studies, and for further information, I would refer you to that submission. I have one copy with me and I'm sure that you would have no difficulty getting copies of that from the Farmers Union.

So is it not then ridiculous to even expect that one man such as Dr. Gilson should be able to come up with a solution to a problem which three previous commissions apparently were unable to deal with to the satisfaction of the government!

People such as Otto Lang say that the Hall Commission was never set up to deal specifically with the Crow rate and, therefore, we need not pay too much attention to that aspect of the Hall Report.

This, then, takes me to the main point of my presentation. Why have we not set up a Royal Commission to specifically study the question of the Crow rate? The Crow rate legislation is probably the most important document affecting farmers since the implementation of the Canadian Wheat Board. Is it logical that we expect one man to make a recommendation that will affect Canadians in perpetuity; then hastily push this recommendation through Parliament?

In my opinion, the first thing this commission should do is to ascertain whether the land grants and mineral rights were and still are adequate compensation for hauling grain at a fixed rate in perpetuity.

This is the age-old argument and I know there are two thoughts on this. The only way in my mind to lay this to rest is through a detailed public inquiry. In fact, I think the railroads should welcome such an inquiry so that they will be able to vindicate themselves of the slanderous comments that have been levelled at them over the years. In fact, I am surprised they have not recommended such a public study themselves. Gilson himself said that this is a valid question, but he was never asked to deal with it. One can only wonder why!

The other thing this commission should do is not just to look at rail transportation in isolation, but what effects a decrease in rail movement through increased truck movement will have on existing road structures so that we don't run into the problems now faced in the U.S. It should also address the question whether the railroads should be strictly profit oriented or whether they should be used as an instrument for national development for all Canadians.

I want to say in closing that I would like to commend committees such as this for getting together. The fact

that we have two opposition parties almost agreeing that we have a problem, I think gives us some confidence in our political system and it's good to see. So that is the end of my presentation.

MR. CHAIRMAN: Questions for Mr. Harder?
Mr. Orchard.

MR. D. ORCHARD: Mr. Harder, in your opening page there, you mentioned a number of organizations that you belong to. Do you also belong to the New Democratic Party?

MR. W. HARDER: No.

MR. D. ORCHARD: Good.

MR. CHAIRMAN: Further questions, Mr. Orchard.

MR. W. HARDER: I would like to ask what damn significance it should have in a free country what political party one belongs to, if one wants to make a presentation?

MR. CHAIRMAN: Mr. Orchard, a further question.

MR. D. ORCHARD: No, I'm just going to reply to what significance.

MR. CHAIRMAN: Well, it's not in order for . . .

MR. W. HARDER: Okay, I'm sorry, I don't do these things everyday.

MR. CHAIRMAN: . . . delegations to ask questions of members of the committee.

Further questions for Mr. Harder?
Mr. Manness.

MR. C. MANNES: Mr. Harder, what is your freight rate in cents per bushel from Lowe Farm, to send a bushel of wheat from that point to Thunder Bay?

MR. W. HARDER: Approximately 15 cents; I'm not sure.

MR. C. MANNES: You're not sure?

MR. W. HARDER: No. I believe it's around 15 cents.

MR. C. MANNES: Well, as a matter of fact, it's 9 cents, which is about half the rate. It's 15 cents a hundred rate. Can you tell me specifically, Mr. Harder, what the cost is of elevating grain on a per bushel basis of wheat within the Pool Elevator at Lowe Farm?

MR. W. HARDER: Not specifically; I believe it's around 15 cents, although I'm not sure of that.

MR. C. MANNES: Well, if I could correct you, it's 20 cents. So, I'm wondering, Mr. Harder, how you rationalize those two figures; the fact that it costs you 9 cents to move your wheat to Thunder Bay, as it does me to ship mine, and it costs 20 cents to elevate it; just the simple operation of elevating it in the company

which I'm a member of too, which we both are members, how do you rationalize in your own mind that difference?

MR. W. HARDER: I don't know how it relates really to the Crow rate question. I think there's room for - we ourselves as an organization are going to have to find perhaps more easy ways or better ways of moving our grain, but I think what you are probably suggesting, and I can only suggest that is, that there seems to be something wrong here with us getting a subsidized freight rate. That's what it is, and I rationalize that. I'm not saying that as a grain company that we shouldn't look for ways of improving efficiency and that the 20 cents is getting pretty well up there; but I am suggesting to you that I do not have any difficulty with receiving subsidies per bushel for grain when I think recent studies have indicated that in Canada we are probably going to receive the lowest subsidy, even when compared to the U.S., than any other farmers in this country. So, therefore, I have little difficulty justifying that.

MR. C. MANNESS: That's an interesting comment, Mr. Harder. You say you have no difficulty in receiving subsidies. I've seen some people that are prepared to say that the Crow should change. They've advocated that one of their main concerns - indeed, your organization - Manitoba Pool Elevators I'm talking about - says one of its greatest concerns is that it'll be considered a producer subsidy if indeed you and I as producers receive payment directly from the Federal Government. How now can you say that, indeed, you don't mind receiving a subsidy?

MR. W. HARDY: You are saying that this is a producer subsidy; that's what we're saying. What are you saying?

MR. C. MANNESS: Mr. Chairman, it's a producer subsidy if I receive it. Whether you want to call it a transportation subsidy, or whatever, the thing is it'll become known in the area as a producer subsidy. So I'm saying I don't care how you want to delineate it. To me, I can't. It's a payment directly to me. You say you don't mind receiving a subsidy, and I'm wondering if you could explain that.

MR. W. HARDER: Well, I think I just did. I think that the export of grain is one of the most important raw materials that we have in this country and the spinoff benefits of us being more competitive in world markets has a direct benefit to everyone. The same people who, you know, sort of question and almost feel guilty about taking these subsidies, I'm sure that when you walk into an airport or when many of us walk into airports as you are about to do, I understand - I'm not sure - you have no trouble receiving that subsidy in terms of your air transportation, and I can only presume that is done because we consider it is something to do for national development, that it's important to everyone.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Thank you, Mr. Harder, for your comments on subsidization. I'd like to refer to Page 7 of your brief when you talk about the Turgeon, the MacPherson and the Hall Commissions, and I think

you're quite correct in saying that the MacPherson Commission did look at the Crow Rate and, in fact, did come up with the conclusion that you state.

I'm wondering if you can tell me when, in your estimation, inflation really began to happen. When did it become a phenomenon in all parts of society? If you had to put a year to it, what year would you say that was?

MR. W. HARDER: I would think that it started in the early 1970s.

MR. C. MANNESS: Yes, I would certainly agree with that and the fact that all these commissions previous to that did not have that particular concern to deal with at that time. Some people would say that railways were making profit in hauling grain until, specifically, 1970. Would you then say that the conclusion you've laid down before us in your brief may not be totally accurate in terms of considering inflation?

MR. W. HARDER: What then about - and I'm not supposed to ask. My own reply is that we then had the Hall Commission on Transportation in 1977 and it also did not recommend removal of the Crow rate. Now that's as recent as we have come.

MR. C. MANNESS: Certainly that's correct, although the Hall Commission did not go into any detailed study of costing as the other commissions did. Of course, anybody that is familiar with that recognizes that, seeing that I'm answering the questions now.

MR. CHAIRMAN: Further question, Mr. Manness?

MR. C. MANNESS: Not right now. I may wish to come back.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Harder, you presented this brief on your own behalf, but at the same time you indicated that you were also a delegate with respect to Manitoba Pool Elevators. Could you tell me who is the largest organization representing grain producers in Manitoba and indeed on the prairies?

MR. W. HARDER: I would say, the Pools are the largest grain companies on the prairies, handling the largest portion of business in Manitoba, I believe it's 58 percent. I don't know the percentage in Saskatchewan or Alberta.

HON. S. USKIW: Pool Elevators is owned by whom?

MR. W. HARDER: By the farmers.

HON. S. USKIW: By the farmers. So would you agree with me that it's fair to say that Pool Elevators, obviously, should play a major role in policy determination?

MR. W. HARDER: Naturally, I have no difficulty with that. To be fair to both sides of that argument, you can say as a company that you have so many people that are - you have so much percentage of the business,

that you have so much percentage of the membership. But you have to recognize that it's not all active, so I have to be fair about that. But surely I agree that Manitoba Pools or a company such as that who are owned by the farmers, should play an important part in such negotiations.

HON. S. USKIW: Are you in a position to enlighten us as to what the current Pool position is on this issue, and whether it's the same as it is with Sask Pool and Alberta Pool, or whether there are differences between the three Pools?

MR. W. HARDER: Mr. Chairman, I am going to decline from that pretty quickly, because I recently at a meeting pointed out that I was a member of all these organizations, but I have to be fair because I introduced myself as a delegate. I am not officially representing, and the Manitoba Pool people have not seen what I've written. So I would, in no way, want to interpret. I'm sure that many Pool members will agree on what I have said here, but at this point I don't think I want to get into Pool policy. I think it is for them in an official capacity to present that to you.

HON. S. USKIW: Mr. Chairman, I was not attempting to put you in that spot. What I wanted was your opinion as to what you believe is the current position of the three Pools and, if there is a position, is it all the same or are there differences between them?

MR. W. HARDER: What I believe? I can't speak as much for Sask Wheat Pool, but I believe that there is a tremendous amount of disillusionment. I really think that the Pools went into these negotiations in very good faith and when we were told by others that there is no negotiating taking place, I think the Pools really believed that there was. I know now, on a personal basis, that they have strong feelings, and they were led, I think, again, I can only assume - I want to be very careful - I really get the feeling that they know that they have been led down the garden path as to negotiating.

Forgive me, I think I forgot your question.

HON. S. USKIW: Do you know whether they have adopted any recent position? Are they in support of the package, or are they still . . .

MR. W. HARDER: Oh, they are attempting various - no. That's what, I guess, the meeting on the 21st will be about. There are many things about the package that concern them. Something about sunflowers that was indicated here before, that is of great concern to them. The 30-million tonne limit is of great concern to them. The fact of the variable rates is of great concern to them. When I get down to it, I would have to assume there is very little that isn't of concern to them.

HON. S. USKIW: Do you believe that it is reasonable to have a new policy introduced in the House of Commons by way of legislation that does not have the support of the three Pools?

MR. W. HARDER: Personally, I would have a lot of difficulty with that, of course.

HON. S. USKIW: Thank you.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Harder, a question then, you mentioned earlier on that you had no difficulty accepting a transportation subsidy for moving grain; that basically the Canadian farmer, in your estimation, is subsidized less than any other of his competitors. Do you believe that the taxpayers who provide that subsidy should take an equity position in your farm because you're receiving that subsidy?

MR. W. HARDER: How does that relate to what we're talking about?

MR. D. ORCHARD: I think it has quite a high degree of relation, because there are those around who have the position that no funding to the railroads should be made, particularly the CP Rail, unless an equity position is taken by the taxpayer. That's viewed as a subsidy to the railroad and if we're going to continue a subsidy, in your estimation, on grain transportation, that same kind of logic, it seems to me, would follow through.

I want to know if you would be comfortable with a position put forward that, if you were given a subsidy on grain transportation, the taxpayers who have given that should be able to take an equity position in your farm. In other words, the Federal Government would take an equity position in your farm because they, on behalf of the taxpayers, are providing you with a subsidy.

MR. W. HARDER: I'm already in that position, Mr. Orchard. The Federal Government has about a \$79,000 equity in my farm. The Provincial Government, through MACC, has an equity in my farm among other private lenders, so I accept that wholly and I am not so sure that many of your people don't have an equity in your farm as well.

MR. D. ORCHARD: Mr. Chairman, there is a little difference between having someone provide you money and take first mortgage. There is quite a difference there in an accounting procedure.

Now if your farm were incorporated - let's just say that your farm were incorporated and that, in return for the transportation subsidy, you would turn some of the share structure over to the Federal Government - because, in return for the subsidy, the position made by some people is that they should have an equity position in terms of bonds or shares or whatever. Would you agree with that position?

MR. W. HARDER: You're using a lot of words. What are you really saying? You are comparing that if the government provides a subsidy to the railroads that they should have a subsidy - I'm trying to understand what you're saying. If the government provides subsidy to the railroads, they should have equity position.

MR. D. ORCHARD: Mr. Chairman, I am not saying that, but there is a certain political party that says, if C.P. Rail gets money from the Federal Government, that the Federal Government should take an equity position in C.P. Rail because that political party, I think, believes that is a subsidy to a private enterprise railroad.

Farmers, by and large, are private enterprise. You said, you feel comfortable with a transportation subsidy that applies to the movement of your grain. I want to know if you would be equally comfortable with the Federal Government, because they provided you with that subsidy, in taking an equity position in your farm.

MR. CHAIRMAN: Mr. Harder.

MR. W. HARDER: If you had read the last page of my brief or my presentation - you're asking a lot of questions that I feel should be asked and that is why I have indicated. I wasn't here to specifically say, what do we do? There are many arguments. Should the government invest in the railroad or shouldn't they? I specifically didn't go to the fact that we provided all the grants and concessions for railroads and therefore they owe us this. I know there are two schools of thought. I go to Manitoba Pool meetings and they don't accept that. I go to Farm Union meetings, they say, you know, that's terrible.

So I am really suggesting that we have a public inquiry into the very questions that you're asking, so we can come up with some conclusions. Again, I can only conjecture as to why we haven't had that because I don't think there are vested groups that would like to draw attention to those things. It is amazing to me to know at the meeting in Oak Bluff that there were farmers who really didn't even know that the railroads had received land grants, etc., etc. To me, I've lived with it so long, I thought everybody knew it and there were farmers that really didn't know that. Now I know there is the argument that the concessions are not out-of-date etc., etc., but I really think that we should look into it very closely and if those recommendations then come up and say, no, the railroads got shafted. That's fine. It's in the economic interest of Canada to let the railroads charge what they will. Okay. But I submit to you that we really have never had such a detailed inquiry, maybe I'm wrong.

MR. D. ORCHARD: You know, knowledge is always an elusive thing and some farmers even don't know what the Crow rate for moving their grain is from their elevator point. So you know I can understand where farmers at the Oak Bluff meeting may not have known that land grants were there. I guess that's acceptable.

Mr. Harder, you still haven't addressed the issue and I'm not going to follow it any further as to whether you'd be comfortable with transportation subsidies from the Federal Government to you, as a producer, being compensated to the taxpayers by an equity position in your farm. But I'd like to ask a couple more questions, if I might, Mr. Harder.

Do you personally believe that the railroads are losing money hauling grain right now at the Crow rate?

MR. W. HARDER: I don't know. Again, if you had read the brief, I don't know. I don't know what they're already getting for hauling grain. I don't know if they're getting 75 cents a bushel; I don't know what the benefits are. But I can only assume that if I had a farm and the land was paid for and all I had to buy was a tractor and someone supplied all the tillage equipment for me, that I wouldn't need to get much for what I produce to make

some money. That's the only thing I can assume. Now that may be too simple for some of you to understand but that seems to me a logical comparison.

MR. D. ORCHARD: So then you don't have an opinion as to whether the railroads are losing money or need additional compensation . . .

MR. W. HARDER: Yes, I do have an opinion. I think on the overall, again, we should perhaps do a study to see whether my opinion is right. I think in the overall the railroads have never received a raw deal out of confederation, when one considers all the spin-off effects and all the side investments that the railroads have done over a period of time, it just speaks for itself. One can only conclude, you go to Europe - you see C.P. offices; you go in the States, you find rail companies investing in the States. Again, we should look into these things. Maybe it's not true, maybe it's just wild rhetoric. The question regarding subsidies before, I don't hear the grain companies in the States complaining about the subsidies that they have to - they have to subsidize freight to get down the Mississippi. I don't hear Cargill Grain complaining about that at all or other major companies. You know, you talk about subsidies.

MR. D. ORCHARD: Okay. Not knowing whether the railroads need more money to haul grain at the Crow rate, do you believe that farmers should pay anything above the current present Crow rate?

MR. W. HARDER: I suppose - let me give you, just going around it the other way - I've learned something from the politicians in the last while. If the Gilson studies had recommended - I can only assume this - but I can assume that if the Gilson studies had recommended an increase of 10, 15, some say, not 20 cents a bushel, flat rate for the next 50 years, I can assume that the farmers would have bought it. That's all I can say.

I guess for me it was more of a political - to me it is somewhat a philosophical question - I think we should first of all prove whether the railroads did, in fact, get a raw deal or not out of this whole thing. Even the Manitoba Pool officials will state, unless they changed their minds in the last while, that they have never yet had adequate assurance that they're able to adequately study the books of the railroad companies.

MR. D. ORCHARD: Well know, you indicate if they had said that so many cents a bushel more for the next 50 years would have been accepted by the farmers, that would have been accepted by yourself, as well, as a farmer?

MR. W. HARDER: You weren't listening. I think I indicated that on a matter of principle, it would not have been acceptable to me, because I think we first have to ascertain whether indeed there is a loss, whether indeed they got a raw deal. And what is so complicated, if in terms of this compromise, again, as I indicated in my presentation, why would the railroads then not say, listen all these worthless concessions you've given to us, hell, we'll give them back, why not?

MR. D. ORCHARD: I think I'm reading you right. You're saying that you would not necessarily agree with paying

them more until it's been studied to determine whether they're losing money and need more. Then am I fair in assuming that you disagree with the position put forward by Senator Hazen Argue, in which he wanted an immediate increase in the freight rates that are fixed?

MR. W. HARDER: Given a choice when you're between a rock and a hard place, the lesser of two evils, naturally I would have to go with the Argue thing, but I think it is an attempt by the government or by some people to sidetrack us from the issue to keep us into this dang negotiating and we're playing little games, playing around with numbers, when we perhaps shouldn't have been there in the first place.

What really strikes me and it was the National Farmers Union that said it in the first place, you're going to go into these negotiations and eventually someone is going to say it was your idea in the first place. No sooner had Mr. Pepin made the announcement, then upon questioning later and I don't know where it was, he says well, yes, the farmers wanted it. You know how he talks and now it's going to be all our idea. But I say, I wasn't trying to say - I accept some of that responsibility but I like to think that I'm intelligent enough to know when I've been sucked in and some people aren't.

MR. D. ORCHARD: Mr. Harder, you put in your brief on Page 3, you referred to the Tyrchniewicz study, etc. Have you read the Tyrchniewicz study?

MR. W. HARDER: Very briefly, and I referred to it only briefly, because I know there was somebody that's going to ask a pinpointed question but I know that it was there and the way I recall and if you can prove me wrong, that it did really refer, it just said what I said here that it says.

MR. D. ORCHARD: Well, are you aware that the study was based on the assumption that the farmer would pay the entire projected freight rate and there would be no subsidy to the railroads directly?

MR. W. HARDER: Well, if that's the case then it should have been aired and then we should look at it. But it wasn't really talked about very much at all.

MR. D. ORCHARD: You're right, it wasn't talked about very much at all, but in the conclusion, I think you're by and large pretty close, when you indicate that there was no benefit in Crow change to the farmer. That was primarily because the farmer was paying five times the freight rate immediately and not two and a half times by 1990, so that the Tyrchniewicz study dealt with a freight rate scenario that doesn't properly reflect the freight rates scenario that we have before us. Were you aware of that?

MR. W. HARDER: Yes, I have trouble with that. What is the difference, whether we pay five times today or the next five years? In fact, why would the Gilson study not say, instead of this slow phasing in, why wouldn't they put it to us right away? It's an attempt to sort of sneakily draw us into something. You know what about five times? What's the difference? If we're only going

to think of our selfish little day-to-day things, surely we can look at this as the total picture. If I were standing here before and only thought of what it cost me to haul grain to my elevator, my goodness, I'm going to gain from probably this new structure, I don't know. Of course, we don't know what the structure is, but in the long run we must look at it in a total picture, not just short term.

MR. D. ORCHARD: Well, you know, you talk about sneaking in something which may be a valid observation, but if my memory serves me correct the Tyrchniewicz Report based their scenario on the farmer paying five times the Crow rate. I think the projections, as accurate as they are, indicate that by 1990 we'll be paying two-and-a-half times, so that we're not even comparing the same freight rates, hence

MR. W. HARDER: I don't have the paper with me.

MR. D. ORCHARD: You know, I'm offering you a caution, Mr. Harder, that the Tyrchniewicz study is not entirely relevant to the analysis of what may happen under the railway freight structure proposed by Pepin.

MR. W. HARDER: I think the Western Producer and the Co-operator in recent issues, and I don't know those numbers before me, indicated five times Crow by 1990 if not by 2000. It's not much sooner than that, then you and me might both do well to read that.

MR. D. ORCHARD: Mr. Harder indicated in between Pages 3 and 4, your concern that the railroads didn't give up any concessions. What concessions did the CNR receive in exchange for hauling grain at the Crow rate?

MR. W. HARDER: The comment was made here before that the CN has never been able - you know, whether it's competitive or not, my understanding is that the CN has never been allowed to operate as a public company and that the shareholders at that time were paid out when the CN was taken over and that is one of the things that has made it unprofitable. That's my answer.

MR. D. ORCHARD: Mr. Chairman, that doesn't really tell me what concessions you're referring to that CN received.

MR. W. HARDER: Well, I think I referred here to the railroads and what the concessions that the CPR then received, and were there any concessions?

MR. D. ORCHARD: Well, then, your comment to the railroad, I assume, would be strictly referring to the CP Rail, not necessarily CNR?

MR. W. HARDER: Well, Mr. Chairman, what I'm really saying is that if there were concessions, then let's look at what the concessions were. Then we should maybe look at if they should have been given up. I asked the question, okay, indicate to me that there were no concessions, maybe there were none to give up. What bothered me was - the point I was really trying to make

- that this whole area was never discussed from what I understand in the Gilson exercises.

MR. D. ORCHARD: Well, Mr. Chairman, it wasn't me that indicated the railroads should give up concessions. It was you, Mr. Harder, and when you weren't specific as to which railroad, that's what sparked my question. Because obviously, when you're speaking of concessions to railroads, maybe you knew of a concession to CN that I wasn't aware of and would like to give it to the committee today.

MR. W. HARDER: It's difficult to compare apples and oranges. I think that one of the reasons that the CN may from time to time have even showed loss of position is that in some areas they have been forced to show a red operating picture because they have put lines in and hauled freight of mines that were owned by CP Limited, and then therefore the CN has been sort of always used as a public example why a public corporation can't make money. I'm not sure that it was ever allowed to function properly. And perhaps if the CN had been allowed to function properly, it might be making money today, I don't know.

MR. D. ORCHARD: Then is it fair to conclude that you're not aware of any concession that CNR should give up in this process?

MR. W. HARDER: I think we should study to see what concessions are there and maybe there are some concessions that they should give up, I don't know.

MR. D. ORCHARD: Then, Mr. Chairman, basically, we shouldn't take too seriously that part on Pages 3 and 4 about the concessions of the railroads then?

MR. W. HARDER: Well, I think we should take them as they relate to the CPR then. If you're telling me that CN received no concessions, fine. If you're telling me the CP also received no concessions, I would like you to document that for me.

MR. D. ORCHARD: Well, no, Mr. Chairman, I'm not here to document anything. I'm just here to question a factual brief which indicates concessions to railroads.

Going into another area, Mr. Chairman, on Page 4, Mr. Harder, you indicate that if one talks to the people who are presently involved in the Pepin proposal they are already saying things like, "Well, it's really quite hard for anyone to guarantee anything." Would you think that the railroads have it in their ability to guarantee that they will always be able to export grain, or move grain to export position, I'll put it that way?

MR. W. HARDER: If what you say is true, why then was it even used and again - correct me if I'm wrong - but I was under the strong impression that when we went into these Gilson exercises that for this that we will get some guarantees. Maybe you are right, but then don't lead us down the garden path in the first place. I was again under the impression that there would be guarantees. Maybe I misinterpreted that.

MR. D. ORCHARD: Well, I'm not sure whether there were guarantees. Depending on who you talk to, there

are either guarantees or there aren't guarantees. But could a railroad faced with the operating environment that they're working in, whether they're private or public owned, could a railroad really guarantee that they're always going to be able to deliver, let's say in the next crop year 28 million metric tonnes of grain to Vancouver, Thunder Bay and Churchill?

MR. W. HARDER: I suppose they could guarantee to at least do their best. I suppose they could do at least that and I don't think the farmers of Western Canada have always thought that they were doing their best. Again, you've got to prove those things.

MR. D. ORCHARD: Agreed. That's probably all they could do because there are a lot of things that could happen to them to stop them from moving grain.

MR. W. HARDER: But I think we all have to agree that the railroads haven't from time to time always done their best. I would have to be a bit naive to think they had.

MR. D. ORCHARD: Well, okay. Now, if we were going to get into the area where we were trying to exact guarantees of performance from the railroads so they moved certain tonnages of grain, in view of the fact that labour management disputes can disrupt the flow of grain, could we really exact that guarantee from the railroads faced with the potential of one of 17 unions shutting down the system?

MR. W. HARDER: Well, Mr. Orchard, it's very unfortunate that we never had you at our Manitoba Pool Elevators meetings as a delegate that you could have pointed this out to the people that were saying that we should negotiate. I think that's a point. There are a lot of farmers that actually did believe when we went into the negotiations whether you can guarantee or not and that believed there would be such a guarantee.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I have a few brief questions for Mr. Harder. He's indicated in his brief that he has farmed for some 15 years and has been a member of many farm organizations.

MR. W. HARDER: I farmed for 23 years.

MR. J. DOWNEY: Mr. Chairman, Mr. Harder has indicated he's farmed for 23 years. How many farmers in Western Canada are like Mr. Harder who have farmed all their lives do not know what the current cost of movement of grain is by statute, like the 9 cents a bushel as indicated from the Member for Morris? How many farmers does he feel fall in that same category?

MR. CHAIRMAN: Mr. Harder.

MR. W. HARDER: I have no way of knowing. How would I know? Maybe there are a lot of farmers that don't know that there were ever concessions and grants given for the railways to haul grain. There are a lot of farmers

that don't know that there are other groups getting subsidies and they feel guilty about getting them themselves. I don't know how many farmers, do you?

MR. J. DOWNEY: Mr. Chairman, Mr. Harder has indicated he's been a member of many farm organizations, representing them. Does he spend all his time, or does he pay in specific detail to those organizations and know the costs of operating and have a little more opportunity to get a little more cost information than he's been getting from them than he does for his own farm operation? I would ask him: How much time does he spend at his farm operation versus these other organizations that he attends to?

MR. W. HARDER: I think your point is that, definitely being an average farmer in terms of spending time - well, maybe I don't spend as much time there as I should. I shouldn't be here. I should be on the farm today, but I feel this is important. I think that, as farmers though, we should have people - because myself, here - I think you are suggesting that, what do I know about the financial statement of the railroads. I don't know what you are really getting at.

MR. J. DOWNEY: Mr. Chairman, I'll clarify . . .

MR. W. HARDER: Will you ask the question again?

MR. J. DOWNEY: Yes, I'll ask the question. The question is - I'll come right to the point - should he, as a farmer, not know what he is now paying for the transportation of his grain? When he drives his truckload of grain into the elevator, should he not know what he is going to pay in cash dollars to move that grain?

MR. W. HARDER: Mr. Downey, when I haul my grain to the elevator, there is never a cost figure written down as to what they're taking off or deduct for hauling grain and, because there are different freight rates for different points, that may also be a little - there are some different freight rates already or handling charges that one does not always know.

I think what's really happening here is that someone is trying to make a 15-cent point.

MR. J. DOWNEY: The other comments that are made by Mr. Harder in his brief is that he had some real concern about Dr. Gilson being put in a position to do a job that, and he indicated in his comments, many people had in fact supported. I have no problem saying I supported Dr. Gilson because I think he has the credentials to do the kind of work that had to be done. What, in Dr. Gilson's past record, does Mr. Harder have difficulty with, Mr. Chairman?

MR. W. HARDER: I guess I could refer you to an article in Grain News, Page 4 in December, 1981, when asked about increase in capital investment for farms. He concludes by saying, "For some, the equity could be more rented land. For others, it could be taking on a non-farming partner who owns part of the farm . . ." - in other words, someone else having equity in his farm. Too bad Mr. Orchard isn't here to hear that - " . . . and prefers to work elsewhere. And for some,

eventually perhaps, equity should be raised by selling shares and stocks on the Toronto Stock Exchange."

Now I submit to you, Mr. Downey, that if those are the only - and in this article, he never once ever indicates that he feels perhaps one of the problems is that our farm land is too high-priced. He never talks about that. So I have difficulty with something like that.

I guess my comments are of a personal nature because when I started to farm, if I had followed Dr. Gilson's advice, I wouldn't be farming today and I wouldn't be here today. Of course, to many of you, that probably would be a blessing.

So, Mr. Chairman, when he comes up with these remarks and knowing of his past experience on a personal nature - and I have no doubt as to his credentials as an academic, no doubt at all. Obviously he wouldn't be where he was. I have difficulty with people blindly saying that this man now is perfect. That's why.

MR. J. DOWNEY: Mr. Chairman, would Mr. Harder not agree that the United Grain Growers grain company represents probably the largest number of farmers from across western Canada? One company, one farmers'-owned company, the United Grain Growers, basically operates the largest farmer grain co-operative in western Canada.

MR. W. HARDER: Again, I can't ask a question, but is he saying this in relationship to what was just talked about?

MR. J. DOWNEY: No, Mr. Chairman, I am asking Mr. Harder if he would agree that the United Grain Growers is the largest farm co-operative in western Canada of all grain companies.

MR. W. HARDER: Apart from the Pools.

A MEMBER: Single pools. You're lumping the Pools.

MR. J. DOWNEY: I am saying that it is one grain company, directed by one group of farmers through the system, that they are one . . .

MR. W. HARDER: If you say that's what it is. I don't know what the assets of Sask. Wheat Pool are compared to the assets of United Grain Growers. I do know that United Grain Growers some years ago - and I'm not a member, I was, but they closed the elevator in our town - but I know that the net income of United Grain Growers one year was \$10 million and Manitoba Pool was some 18 that year so I don't know, and that probably has nothing to do with its size.

MR. J. DOWNEY: Mr. Chairman, I am talking about numbers of farmers that the grain co-op represents basically, not assets or turnovers and funds.

MR. W. HARDER: I guess, Mr. Downey, it is the only grain company that is operating in all three - well, there are other grain companies operating in all three provinces. I don't know if the total handle of United Grain Growers is larger than Cargill across the west or not.

MR. J. DOWNEY: Putting that aside, the handle, Mr. Chairman, is Mr. Harder aware that basically with removal of the cap that was recommended by Dr. Gilson that the United Grain Growers have basically accepted the Gilson recommendation? Would he agree to that?

MR. W. HARDER: I guess they have although the President of the United Grain Growers, I heard on radio yesterday, has some reservations about it now as well.

MR. J. DOWNEY: Mr. Chairman, Mr. Harder makes reference to gentlemen like Alvin Hamilton and Don Mazankowski and other Conservatives. Would he have felt more comfortable if they had been in office to negotiate and represent western Canada on the kinds of negotiations that are taking place right now rather than Pepin and the Trudeau Government?

MR. W. HARDER: Mr. Chairman, and we all know that people in opposition sometimes tend to behave differently than when they are in office, but indeed if the opposition would behave when they are in office the way they are taking the positions on that now - and I most especially say Mr. Mazankowski's presentation referring the Crow to a turkey - I would have to say that definitely I would have been much more comfortable.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Harder, you weren't quite certain as to what level of freight rates would be reasonable. You talked about a common consensus could easily be arrived at if we were to double the present rate. Given the fact that the Crow package will result in five and a half times the present rate by 1991-92 which is about 80 cents a hundredweight compared to 15 in your location or 16, does that at all bother you, notwithstanding any commitment as to where the price of grain is going to be and whether or not you can withstand that unless you had increases in grain prices.

MR. CHAIRMAN: Mr. Harder.

MR. W. HARDER: Definitely and, as you noticed in the whole presentation, I did not go into any specific numbers because I really - and I'm going to answer your question - I really felt the numbers game to some extent and the various points had been made over and over again, the 30-million tonnes. Everyone knows I take for granted that the increased costs of hauling grain to farmers especially today if we have to - if we tomorrow will knock off another 40 cents per bushel. Forty cents a bushel times 40 bushels an acre is \$16 an acre off the top. It's a lot of money, and definitely I am concerned.

Now I did not bring up these concerns because I'm sure you have heard these concerns, but I thought that we had already progressed just a little bit further than all that. I thought that we all knew already that there was a problem and now we wanted to go on further and to try to see what we could do about this thing that is happening in Ottawa.

HON. S. USKIW: In your brief, you did use the word, railroads, with respect to subsidies as opposed to

railroad or the CPR. Were you using that on the basis of an assumption that all railroads at one time were subsidized by the government, or were you not aware at all as to the extent of subsidies that occurred at the time with respect to all of the various railroads that were then either being built or were already built?

MR. W. HARDER: There are books written about it, but again I did not go into those numbers. I guess I assumed - and I think it could be proven - that all railroads, at one time or another, have received subsidies. Now obviously some here is . . .

HON. S. USKIW: You haven't read the copy of the Winnipeg Free Press then dated July 14, 1910?

MR. W. HARDER: No. Some at this table might have, not myself.

HON. S. USKIW: Well in that copy, Prime Minister Laurier at that time, talked about the great subsidies that were going to guarantee certain tariffs for Western Canadian development. I thought maybe that was what you were alluding to when you used the term railroads.

MR. W. HARDER: I certainly wished that I would have, it would have made me look much more intelligent.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Harder, you've given your reasons for being skeptical of the whole process, I think, that Gilson has attempted to perform, which has led to Pepin's proposals. I think you've asked a legitimate question on Page 4, as to what is the guarantee, how do you define guarantees of performance and how do you enact them? I know that you're a very modern farmer, that you grow a lot of bushels per acre. I guess my question to you, in your view, what is going to make the grain move? What is going to guarantee you a 20 bushel an acre quota versus a 10, given that indeed other commodities begin to take again their share of the mainlines?

MR. W. HARDER: That's the whole question here of - and I've said this, I hope I'm going to answer the question - that when we say that we are going to pay more for grain, and again we've said that, what did that when we started these negotiations, I was skeptical at that time, what will then prevent some other group when coal, or should it ever become really valuable again, what is going to prevent them saying, well listen, I will pay you twice what we're paying you now to haul coal and you're going to have the same differentiation that you have now.

So that was my point before we entered into these negotiations and now I seem to be getting heck for never having pointed that out and that concerns me a little bit. That is a valid point. So why start negotiating, if the difference is going to be the same, I can foresee the same problem 10 years down the road. They're going to say they can still make more money hauling something else and if we're going to use that system, that who will pay the most, can haul the most, where will it end?

MR. C. MANNES: I understand that argument too, but again, you and I, on our farms, once we grow the crop, we're at the mercy of somebody to move it. My question is, do you have a solution?

MR. W. HARDER: Well, Mr. Chairman, that is one of the reasons that I suggested that we look for solutions through some public study. Is it necessary that railways always make money? If we do provide rolling stock for the railroads as we have done in the past, should we then not, perhaps say to them that for this rolling stock that there will be something built in?

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

On our list for this afternoon we have Mr. Goldwyn Jones, Mr. Kent Magarrell and Gerry Kendall, and Mr.

Doug Campbell. Will these individuals be able to return at 2:30 p.m.?

Mr. Manness.

MR. C. MANNES: Can we make it 2:00 o'clock, Mr. Chairman?

MR. CHAIRMAN: It's been suggested 2:00 o'clock, which allows 40 minutes for lunch. Is that adequate to members? Okay.

Mr. Uskiw has asked me how many of the people who are on the list for this afternoon will be returning this afternoon? Is Mr. Goldwyn Jones here? Will you be back at 2:00, Mr. Jones? Thank you. Mr. Magarrell or Mr. Kendall on behalf of the Chamber of Commerce, are they here? Thank you. Mr. Campbell on behalf of CN Rail. Okay.

Committee is adjourned and stands adjourned until 2:00 p.m.