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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

AGRICULTURE

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY**Thirty-Second Legislature****Members, Constituencies and Political Affiliation**

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, John M.	Gimli	NDP
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CORRIN, Brian	Ellice	NDP
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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	Virde	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
SHERMAN, L.R. (Bud)	Fort Garry	PC
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 — 2:00 p.m.

LOCATION — Winnipeg

CHAIRMAN — Mr. Andy Anstett, Springfield.

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. J. Plohman, Hon. J. Bucklaschuk, Hon. S. Uskiw; Messrs. Anstett, Downey, Harapiak, Manness, and Orchard.

WITNESSES: Mr. Goldwyn Jones, National Farmers Union;

Mr. Doug Campbell, CN Rail;

Mr. Kent Magarrell, Winnipeg Chamber of Commerce.

MATTERS UNDER DISCUSSION:

Western Transportation Initiative proposed by the Government of Canada.

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MR. CHAIRMAN: Committee will come to order. The first person on our list for this afternoon is Mr. Goldwyn Jones.

Mr. Jones, please come forward.

MR. G. JONES: Thank you, Mr. Chairman. I farm in the southwest corner of our province at Tilston, in Manitoba.

HON. J. DOWNEY: Good constituency.

MR. G. JONES: Yes, you're right. I'd have to agree with you on that Jim.

I've been a member of the National Board of the National Farmers Union for the last three years. I believe our position as an organization is widely known by the farm community and the general public as well.

We feel that the Federal Government's attempt to scrap the Crow has less to do with alleged railway losses, and more to do with the agro-food strategy announced in July 1980 by Agriculture Minister, Eugene Whelan. This document is the blueprint for agriculture in this country in the 1980s. Some farmers call it the agro-food tragedy but that's just beside the point.

One of its main objectives is to eliminate the statutory rates charged for moving export grain to dramatically lower the price of raw grain on the prairies. It is hoped this will encourage secondary industry in the prairie region at the expense of the primary producer of course.

That's why, if this proposal goes through on the 1st of August, we will move to a complicated system of overcharging or discounting at the elevator in which some of that will be paid back to the producer as a Crow benefit.

What that will do in effect is lower the value of all that is produced on my farm no matter whether I sell it to a feed mill, to a processor, or feed it to cattle, it does the same thing to it, it lowers its value.

The Crow benefit whether it be paid to the railways or to the government really is a phony issue. It will not put one red cent into the pockets of farmers. All it really is is an interest-free cash advance to the railway companies on behalf of the government. It's a situation where you pay it and get it back later. So as far as enhancing producers' income it will not do that.

Another aspect of the proposal I cannot support as a tax-paying Canadian is the fact that this proposal will invest about \$3.5 billion into the rail system of public money and there will be no equity taken. This has been the same situation in the period 1970-82 when \$1.5 billion of public taxpayers' money was invested in the rail system in the form of hopper cars, car repairs, branch line subsidies and branch line rehabilitation and in that case no equity was taken either.

The Pepin proposals raise some very serious questions which have never been addressed or answered. Some of them are, I feel, if the Pepin plan is implemented what will its effect be on farm income? What are the implications on branch line operations? What are the implications on the Canadian Wheat Board with the proposed central co-ordinating agency taking some control over the transport and marketing functions? What are the implications for Manitoba resulting from reduced feed grain and oilseed prices? Several areas should be considered, one being producers' incomes; another, processing; employment. Where are the markets for additional product, meat, oil and spreads, etc. The Pepin proposal states that we will increase our production in Western Canada of livestock by \$1 billion. Where will that be marketed? What will the tariffs be? What will the price be? These questions have never been answered.

The same applies to raw crush. It is the situation at the present time where 70 percent of the raw crush that's produced in Western Canada is sold to CIDA for an aid export program to developing countries. What are we going to do with increased productions of \$350 million as the Pepin proposal states? What are we going to do with that product?

Another question is: where in the prairies will this production take place? Who will be the beneficiaries? Who will pay the costs? In our own country, in the Maritime region, farmers have processors in their backyard and it certainly hasn't been a boon to them. In many cases, the processors are now running the farms that once were owned and run by small family farmers.

When I came to this hearing, I thought the purpose of it was to give the government ideas on what the citizens of this province felt, actions it should be taking. I have made some suggestions here: No. 1, would be to produce maps of all the lands in the Provinces of Manitoba, Saskatchewan and Alberta known to have been given to the CPR between 1881 and 1905 and

make these available to the public. Produce maps of all the mineral deposits of oil and natural gas acreages held in Canada by each national railway, make those available to the public. Calculate and analyze future railway revenues based on the railways and Department of Transport's figures. Project tonnage and increase in bulk commodities and general cargo. Calculate the economic impact on farm income if the Pepin proposal were implemented. Further to that, do studies on large services centres within the province such as the City of Brandon to evaluate what the impact on those centres will be and make that available to the respective Chambers of Commerce. We recommend that the Manitoba Government put such reference materials in Manitoba schools, libraries in urban and rural municipalities, so that people can look at them if they choose.

Another area that we should be examining as a province, if this proposal is implemented or if it looks like there is a possibility it will, the question of whether Federal or Provincial Governments should possess mineral rights on land on abandoned branch line rights-of-way. As a province, we should increase the tax on CP, CN trucks. We should also list all CP Limited and related holdings to selectively assess and levy property taxes and impose surcharges on such companies. We should expropriate the urban landholdings relating back to the historic gifts to the companies.

The Manitoba Government should pressure the Federal Government to amalgamate CN and CP enterprises and run as a public utility at cost. That is the position of the NFU, that if the rail system needs to be improved that the government make the improvements, retain the equity and further to that sometime down the road both systems should be nationalized into one system and run for the benefit of the people of Canada, not for the benefit of a few shareholders. That is the position that the Manitoba Government should be urging the Federal Government to take. With that I think I'll close my presentation.

I hope that you consider my suggestions seriously. I think that this whole question is going to change the direction of agriculture as laid out by the agro-food strategy in which the first step is to get rid of the Crow, then eliminate such orderly marketing bodies as the Canadian Wheat Board which is built right into the proposal. Further to that is to eliminate all supply marketing boards and replace them with tripartite stabilization programs, then move to strictly producer-funded programs.

The Crow is the beginning of the implementation of the agro-food strategy and it will be a disaster for the majority of farmers in Canada if this is allowed to happen.

Thank you.

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

Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, just a couple of questions that I would have for Mr. Jones. Has the National Farmers Union made a presentation to the Federal Minister of Transport regarding the proposal that is before us?

MR. G. JONES: Yes, we've had delegations in Ottawa.

MR. J. DOWNEY: Is that directly to the Minister?

MR. G. JONES: Yes.

MR. J. DOWNEY: And what was the response and could I ask you, would your feeling be that the Federal Government is going to move regardless of what is being said by this committee, or what has been said by the majority of people in Western Canada?

Mr. G. JONES: From the people that were on the delegation they detect a nervousness on the part of the Federal Government. There is a lot of dissension within the Quebec caucus of the Liberal Party. The rural members of the Liberals do not support the proposal and they are being quite adamant about it. I think it's the government's plan to indicate to the citizens of the country that the proposal is already through and that is not true. It has a long ways to go and there is a strong opposition building to it in all parts of the country. Even though they say it's going to go through, I don't think anybody seriously believes that.

MR. J. DOWNEY: Am I clear, Mr. Jones, that the alternative to what is being proposed is to strictly nationalization of the railroads and roll them into one conglomerate which should be controlled by the taxpayers of Canada to move the commodities in this country?

MR. G. JONES: That would be the final solution to the problem.

MR. J. DOWNEY: Mr. Chairman, to the member and it's just a matter of information, I've been asking it earlier. Roughly how many people are in the National Farmers Union in Canada?

MR. G. JONES: You should know that answer, Jim. You've asked it enough times. There are about 9,000 members across Canada.

MR. J. DOWNEY: I see. How many of those are in Manitoba?

MR. G. JONES: You should know that answer as well, there are about 950.

MR. J. DOWNEY: I see. Thank you.

Mr. Chairman, I'm not trying to be sarcastic, I was asking it of all the people that come forward and if Mr. Jones has some problem with it then it's his problem.

MR. G. JONES: I have no problem with it. Thank you. There was a comment made from the member there, I didn't catch it.

Oh, I agree with you, Mr. Orchard. We're having great success this winter in signing up members to the NFU.

MR. CHAIRMAN: Order please.

Mr. Uskiw.

HON. S. USKIW: Mr. Jones, you have expressed concerns with respect to the proposal. In your view,

what mechanism could be employed to prevent the proposals from being implemented at this stage?

MR. G. JONES: Well, I am a firm believer in the democratic process and I feel that, although this government in Ottawa would make you wonder sometimes, they will not steam-roller the views of the vast majority of people in this country. They will not steam-roller over those and implement this proposal, but if they do - I think on this question I detect in the countryside, if people's backs are pushed against the wall, there is the potential for more political upheaval on this question than there has been on any question in this country for a long time.

HON. S. USKIW: In your view, Mr. Jones, who or which organization carries the greatest amount of influence or represents the greatest proportion of producers on this issue? What organization or person or whatever?

MR. G. JONES: We do. The National Farmers Union does.

HON. S. USKIW: How do you arrive at that, sir?

MR. G. JONES: I can detect from talking to farmers across this province and from our people that are having discussions with other farmers in the Western region that that is the attitude of the vast majority of farmers. It doesn't matter what organization they belong to, whether it be the Pools. There's been a process where the leadership of some of these organizations has been led to believe that there would be some advantages to these changes and at this point, even though they're not admitting it, there just isn't any.

HON. S. USKIW: Let me rephrase that then, Mr. Jones. You have just indicated that you represent or are part of a group of 9,000 farmers across Canada which must mean that there are probably 3,000 or 4,000 in Western Canada. Okay?

MR. G. JONES: No, there'd be more than that, I guess.

HON. S. USKIW: That's right. How do you view the way in which the Government of Canada has to look at that and how that is going to influence their final position? I say that in the context of Manitoba Pool, Sask Pool, Alberta Pool vastly representing the farmers that they handle grain for as they are owned by those very farmers. Would you not think that the greatest influence might be exerted by that particular organization with respect to any changes to the proposals that are now being considered by the Government of Canada?

MR. G. JONES: Well, you know, I didn't come here to discuss whether farm groups represent their members or not, but almost all farmers in Manitoba are members of Manitoba Pool for some reason or another, mostly because we do business with them and, if you retire, you will get an equity back. That is the reason most farmers do business with the Pool. That's the reason why most farmers are a member of the Pool.

That does not mean that they support the policies that are promoted by that co-operative, because let's not forget that the Pools have invested a lot of money in other enterprises. They are more a commercial entity now than a farmer-owned co-operative. They are into a lot of things and, in some cases, there is a conflict of interest there; what's best for the primary producer and what is best for a processor.

HON. S. USKIW: One last question then, Mr. Jones, would you not agree that if we are going to change the rules in the freight rates per se that we should not do that unless there was a consensus of the majority of farmers, no matter how that may be represented? It would seem illogical from my point of view, and I would want you to either concur or argue with me, that consensus can be arrived at without organizations like Manitoba Pool being part of it or Sask. Pool or Alberta Pool. Can there be a consensus without those people being part of it?

MR. G. JONES: Not likely.

HON. S. USKIW: Not likely. Okay, that's fine.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I'm not so sure, Mr. Minister, that Alberta Pool can be lumped in with Saskatchewan Pool on that. You might want to . . .

HON. S. USKIW: I'm not saying they are.

MR. CHAIRMAN: Mr. Orchard, do you have a question for Mr. Jones?

MR. D. ORCHARD: Yes. Mr. Chairman, if you want me to make it a point of order, I will.

HON. S. USKIW: What is it?

MR. D. ORCHARD: The impression that the Minister left when he said, three Pools, Alberta, Manitoba and Saskatchewan, he leaves the impression that they are all against the - whether he wants to or not, he is leaving the impression and he can't do that. That's simply what I want to point out.

Now, Mr. Chairman, to get back to what the intention of the committee is, and I thank you for your patience with me.

Mr. Jones, I think you put out the opinion that the whole Gilson process and the Pepin Proposal will not do anything for the western Canadian farmer, and the basic objective of it is to lower grain prices. Is that a fair assumption?

MR. CHAIRMAN: Mr. Jones.

MR. G. JONES: That is certainly a large part of the proposal.

MR. D. ORCHARD: There are those who naively differ from your point of view in that they believe the objective of this is to remove some perceived inequities in the grain transportation system to bring it into the 1990s,

if you will. They view the objective of this whole process to be that of giving us a rail transportation system that can meet present and future export demands for grain and to move our grain, rather than store our grain. I take it, you wouldn't necessarily agree with those people.

MR. G. JONES: Which inequities do you refer to?

MR. D. ORCHARD: Which inequities?

MR. G. JONES: Yes. You referred to inequities.

MR. D. ORCHARD: Inequities that have been put on the position, and I assume you think it's naively put forward, that right now the railroads are not being adequately compensated to move a bushel of grain from anyplace in Manitoba or the prairies to Thunder Bay or wherever. That is perceived to be an inequity by some of these naive people.

MR. G. JONES: Well, that's your term, not mine. It has never been proven that the railways are losing money moving our grain to markets. I don't believe it's been proven. That's the first part. The second point - the reason I say that is has less to do with railway losses is that in the agro-food strategy that was released in July 1980 from Mr. Whelan's department, it stated clearly in black and white for everybody to read that "The Crow results in the farm gate price of grain being too high in Western Canada and therefore discriminates against secondary industry in the Prairie region." It didn't say the reason we have to get rid of it is because the CPR is in danger of going broke. So I would say that railway losses really is a smokescreen that the Government of Canada use to take away the historic right of the Western Canadian farmer.

MR. D. ORCHARD: Yes, and do I interpret correctly that the net result of that will be a lowering of grain prices to the farmer at the farm gate?

MR. G. JONES: Well, certainly.

MR. D. ORCHARD: Okay. Do you recall a period in recent history, approximately 1969 to 1971, do you recall the price of grain on the Prairies during those years?

MR. G. JONES: When? '69 to '71?

MR. D. ORCHARD: Yes.

MR. G. JONES: It was like it is now. It was quite low.

MR. D. ORCHARD: Well, I might refresh your memory on that because I was trying to futilely sell fertilizer to encourage farmers to produce more grain in those years and there was three bushels for \$1 deals on barley in Western Saskatchewan. I don't think we're anywhere near that now. The impression that came out from many farmers, as a result of that period of time from '69 to '71, was that one of the major problems we had was that we weren't moving grain to export position and that's why it was backed up on the farms, that's why

the prices were depressed. Would you agree or disagree with that position?

MR. G. JONES: I would disagree.

MR. D. ORCHARD: I take it then, Mr. Jones that the price of grain was down three bushels of barley for a buck in 1969, not because of any transportation problem to get it out to a market?

MR. G. JONES: There might have a problem where the railways did not haul the grain, but further to that, I would say that that doesn't necessarily mean that they were going to haul it, if we had offered to pay them more. Like how much more would be the question?

MR. D. ORCHARD: Well, you know, I guess maybe that's where there are a number of organizations and people that disagree with your basic premise. That's why a lot of people are willing to see the process follow through, on the basis of Snavely's study and a number of studies. We can go on and on as to how long it's been studied, but farmers do attach a value to having the railroads compensated for moving their grain and some of them do remember quite vividly, and they made a direct correlation that the railroads didn't necessarily move the grain in the volumes they could have in '69 and '71. Hence, instead of getting 90 cents for barley on the Wheat Board, they got 33.3 cents on the open market. I think the status quo that you're proposing would do more to lower the prices of grain - recent history would tell us this - than any perceived fear that you have raised today about changing the rate.

MR. G. JONES: Well, you raised several points. Firstly, on rail compensation that, as you recall, when the Hall Report was brought down, almost every farm organization in Western Canada supported its findings and its conclusions. If it was indeed proven the railways needed more money to haul grain, then the Government of Canada would compensate them and the Crow would remain. That was a consensus. If the question of consensus arises, that was the consensus in Western Canada; that was a good solution. Now, it wasn't acted on. So that has to lead one to believe that there were some reasons for that and I would suggest to the committee that one of the reasons was that the railways under that system were not given control over the system. They would not be allowed to decide which branch line would stay, which one wouldn't; which point would stay, which one wouldn't. They weren't given that kind of control, so therefore they didn't lobby for it and the Government of Canada, since they didn't like it either, they didn't implement it. But on the question of three for a dollar barley, I mean, the federal feed grains policy that was implemented in 1974 and amended in 1976 did more to do that than anything else.

MR. D. ORCHARD: Well, I just want to point out to Mr. Jones that was 1969 that I was mentioning three for a buck in barley, not '76. When you made a suggestion to the committee, that was quite an interesting one and you recommended the

establishment of a series of reference materials which would show the lands that were vested to CP, the oil and gas that's on them and the minerals, etc., etc. As well as developing that kind of an information package for, I assume, public display, would you be in favour of having, well, whomever, province, Federal Government, develop an informational chart showing the amount of taxes paid by CP Limited which I'm assuming includes the Air, their hotels, their shipping, the railroad and everything, all the sales tax that those various companies pay, and all of the taxes that their employees pay to the Federal and Provincial Governments, and the sales tax that their employees pay, because assuming, you know, the overall operation of CP is comprised of employing a number of people all of whom contribute taxes to Canada, would you be willing to have that kind of information developed for the public to know the amount of taxes that CP in its operations in Canada pay?

MR. G. JONES: I don't see why not.

MR. D. ORCHARD: Mr. Chairman, you made the proposal that CP should be nationalized, the two railroads lumped together and run at cost. I believe CN lost 240 million last year; that wouldn't be possible if they were run at cost. Would grain farmers be required to pick up their share of that loss to make them run at cost?

MR. G. JONES: If they run at cost. If they don't for some reason, as a direct result of government policy, like high interest rates and high energy costs which absolutely create havoc on the economy and cause those sort of losses, I suppose that the government itself would have to pick up such extra costs.

MR. D. ORCHARD: So then you're not objecting to the taxpayers picking up those losses now, but I think in the course of your presentation you were objecting to taxpayers providing the additional subsidies to the railroad.

MR. G. JONES: I was objecting to the fact that the Government of Canada is going to invest huge sums of our money into the rail system and not even get anything on a piece of paper in return.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: The three Pools combined into one office and one legal counsel in their representations to the Government of Canada on this issue, on the basis of that, would you agree with me that their position would have to be a uniform position across the three Prairie provinces representing the three Pools?

MR. G. JONES: I could answer that, Mr. Uskiw. I assume that it would from what I heard.

HON. S. USKIW: The Member for Pembina tried to suggest that there wasn't a unanimity of position on the part of the Pools and I simply wanted to extract from you, sir, if they are acting in unison in that way, that would seem to indicate that they were of the same

purpose, otherwise, why would they be operating in that fashion?

With respect to the years '69, '71, are you aware of any report where transportation was the reason that grain did not get to market rather than market availability? I say that because when you talk about barley prices, as the Member for Pembina wanted to talk about, the price of barley to the farmer in that period was 64 cents a bushel initial price and it wasn't possible to give it away. It had nothing to do with transportation bottlenecks as far as we are aware, but I'm wondering whether you are aware of any transportation bottleneck that resulted in market and sales that were not fulfilled at that time.

MR. G. JONES: I can't say I have.

HON. S. USKIW: Okay.

MR. G. JONES: But that doesn't mean there wasn't one.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: The Member for Pembina also said a few minutes ago that in his opinion I guess most people, and I think he inferred that through that organization other than the NFU, want to see the process followed through, he said. I'm just wondering whether you would agree from your dealings and probably involvements and discussions that you may have had with other farm organizations whether you sense that to be the case now, the organizations that initially agreed to enter into the negotiating process still feel that they would like to see this process followed through.

MR. G. JONES: You're referring to the members of these organizations?

HON. J. PLOHMAN: Yes.

MR. G. JONES: Yes, I would say there was. Mr. Uskiw seems to be infatuated with the Pools. I am a member of Manitoba Pool and I sit on the local board of the Pearson Elevator Association. Our association, as many other of the locals in the Pool, have passed resolutions that stated that the Pool should now go back to its original stance of Crow retention. It was the feeling of the members of the board that day, about three weeks ago, - there was one farmer in particular mentioned that he thought at one time we could pay a little more. He says, now I see that we can't because, once we do, we will lose the whole agreement. I think that is the feeling of a good portion of the membership of Manitoba Pool. I say that as a member of that organization, not as a director of the National Farmers Union.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, would you feel then that a number of these members feel that they were not a legitimate part of a negotiating process and feel that they were used as pawns in that whole process?

MR. G. JONES: The members feel their organization has been used. That's definitely true.

MR. CHAIRMAN: Further questions? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Jones, in looking back, you were saying that the other members of the organizations feel as if they were used. Do you not feel that the National Farmers Union could have had some influence by becoming involved in negotiations that were taking part with Dr. Gilson.

MR. CHAIRMAN: Mr. Jones.

MR. G. JONES: No. We could not take part in the negotiations or the consultations or whatever you want to call them. We are a direct membership, a voluntary organization. The leadership cannot go against the wishes of the members or they will not be members. The members left no doubt in the leadership's mind that they did not want the organization at those negotiations because they - at the meeting in Delisle, when Mr. Pepin came out to Saskatchewan just after he made his announcement on February 8, 1982, he stood in that hockey rink and told the farmers there, all 1500 of them, that they asked for this. He said, you came to me and you asked for this. That was the mistake that the Pools made, I feel. That was a huge and tragic mistake they made, to indicate to the Federal Government that they were willing to pay a little more.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Mr. Jones, do you have any understanding or do you have any knowledge as to why the Manitoba Pool may have been one of the parties that went to the Federal Government asking them to look at the Crow?

MR. CHAIRMAN: Mr. Jones.

MR. G. JONES: Do I have which?

MR. C. MANNESS: Any understanding as to why Manitoba Pool Elevators and other groups may have gone to Mr. Pepin and asked him to look at the Crow and indeed Mr. Mazankowski, previous to Mr. Pepin.

MR. G. JONES: There was never any real indication why, other than the fact that there was some feeling - I think a bit misguided, that paying more might buy us better service.

MR. C. MANNESS: Did you carry any grain over on your farm, Mr. Jones, 1978-79, leaving that crop year?

MR. G. JONES: Not anymore than I normally do, but you have to realize, Clayt, we don't live in a high production area like you do.

MR. C. MANNESS: You don't recall then that, I believe, the final wheat quota of that year was either nine or 12 bushels an acre, and that indeed, there was some \$1 billion of grain sales that were lost that year because

the transportation system was inadequate. You don't recall that?

MR. G. JONES: I think, on the question of quotas, they are not usually much higher than that for wheat.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: I'm wondering, Mr. Jones, whether you would be in a position to tell this committee whether or not you had interfaced or your organization has interfaced with Mr. Mazankowski when he was Minister of Transport on this issue, since it was during that period of time and even prior to his time that the Crow package was put together and was being pursued in the parliamentary process - well not through parliament, but through the political process. Did you discuss it with Mr. Mazankowski when he was Minister of Transport?

MR. G. JONES: He attended the national convention in Ottawa in that brief period in which they were in power. He was asked, repeatedly, by members of our union in the question period following his remarks and he refused to be pinned down and referred to keeping the benefit of the Crow. He would not be pinned down to keeping the Crow as is.

HON. S. USKIW: Are you saying that you are not aware that part of this package, or at least the package itself, was in fact put together at that time; that the government that succeeded the Clark Government simply carried on with the package that was already there?

MR. G. JONES: I don't have any direct knowledge of it, but it wouldn't surprise me, no.

HON. S. USKIW: Would you want to comment on why it is that Mr. Mazankowski is taking a different position today? Is it because he has changed his mind, or is it because there are other motivations that are promoting him in that direction?

MR. G. JONES: I think politicians - I'm not one, but I assume they like to be re-elected and I think that is having some effect on the positions of politicians in western Canada.

MR. CHAIRMAN: Further questions? Mr. Manness.

MR. C. MANNESS: Do you now agree, Mr. Jones, it is a pretty easy position to sell in the country in saying, do nothing, when there is absolutely no logic behind it? Do you not believe that's a much easier position to sell?

MR. G. JONES: Who is selling that position?

MR. C. MANNESS: Mr. Jones, I believe I have volumes here of NFU material that says just that.

MR. G. JONES: No, you're not - that's very - you must have misread it.

MR. C. MANNES: Obviously, I did.

MR. G. JONES: Our position, I thought I made it clear, was that of course there has to be an adequate rail system in all of Canada and, if the railways won't put it in place, then somebody has to or this country isn't going to be able to operate. So therefore I say that, if we are going to do that, we might as well have the equity in it.

MR. CHAIRMAN: Further questions. Seeing none, Mr. Jones, thank you very much for your presentation here today.

MR. G. JONES: Thank you.

MR. CHAIRMAN: Mr. Kent Magarrell and/or Mr. Gerry Kendall, Winnipeg Chamber of Commerce.
Mr. Doug Campbell, CN Rail.

MR. D. CAMPBELL: Thank you, Mr. Chairman. I notified your Clerk that I would not be presenting a formal written brief at this time. It is our intent to do so at some of your rural hearings, perhaps at the Swan River hearing next week.

First of all, I would like to thank the committee for the opportunity to both listen to the various concerns that legislators and interest groups have with respect to proposed changes in the grain transportation system, and would like to, in effect, make my comments very, very brief. I am here more to answer perhaps any questions that you might have with respect to the western transportation initiative to ensure that it's perhaps better understood than it has been to date and to perhaps respond to any of the rail-related concerns that you may have.

I'm also here to provide some brief comments on the resolution which was passed by the Manitoba Legislature. And I think the only other introductory comment that I would like to make is the fact that many people have asked whether there was a consensus to move forward on this issue. I think it's quite important to clarify that there were a great number of consultations. They've existed for almost 10 years now.

Under the current federal regime there has been two years of detailed questioning by the Federal Cabinet of all interest groups particularly the western farm organizations. Dr. Gilson was appointed. We had a heavy three month period of discussions that included most of the major farm organizations plus the railways and as you, I think, are all aware there have been a great number of industry task forces which have occurred since the Gilson Report was tabled.

I had the privilege to be a member of two or three of those committees and while we do not know precisely what is in the legislation that is anticipated to be tabled within the next two or three weeks, I think many of the concerns that were brought up in your resolution that was passed in this legislature will be adequately dealt with when that legislation is tabled. So we're sort of, in part, in a hypothetical case of not being able to properly address the issue until that legislation is tabled.

It is largely for that reason that we're choosing to withhold any formal remarks until the legislation is tabled. I believe it will be tabled before your hearings

are over. If that's the case we would intend to try and put before you a formal document that does deal with those issues.

MR. CHAIRMAN: Thank you, Mr. Campbell. Questions for Mr. Campbell.
Mr. Uskiw.

HON. S. USKIW: Yes, Mr. Campbell. Would you agree with the statistics that we have been using with respect to increased tonnages that will be moved in Western Canada over the next decade, namely that grain represent approximately 16 percent of that increase in tonnage movements and that coal, sulphur, and potash will represent the balance to about 1992, I believe it is, give or take. Is that essentially an accurate assessment?

MR. D. CAMPBELL: Mr. Minister I'm sorry I don't have the . . .

HON. S. USKIW: I'm referring to the WESTAC document, I think you're familiar with it showing in graphic form the movements of commodities by tonnage over the next decade to Western Canada.

MR. D. CAMPBELL: That document I believe was prepared in 1980.

HON. S. USKIW: '81.

MR. D. CAMPBELL: I think there has been an update, a very recent one, which I have not seen. I don't think its changed too dramatically.

I believe the source of those forecasts are the industry associations, such as the Coal Association. I believe for grain it was based largely on the Canadian Wheat Board projections. Sultran provided the sulphur.

Those forecasts in their total we have no major problem with. If you were asking do we agree specifically and to the decimal place I think the answer would be no.

I think you can appreciate that when a carrier is requested to provide capacity all shippers have a tendency perhaps to overstate their needs and they all very justifiably are optimistic about potential sales.

So when we do our detailed planning we have a lot of people that look at their numbers. We check the world statistics. We talk with individual shippers as well as the associations. We try and make our own judgments but the basic magnitude of the WESTAC numbers do not cause us any deal of difficulty.

HON. S. USKIW: Well, I tend to agree with what you're saying but whatever margin of over-optimism there is in these figures would you agree then that they are probably the same by commodity? The Wheat Board's figures are quite optimistic and likewise the coal movements, and sulphur, and the potash movements.

I believe the relationship won't change percentage-wise if we take that factor into account. Is that a fair assessment?

MR. D. CAMPBELL: I don't think I could agree with that simply because each commodity is so different.

In the last two years in particular we have seen industries that thought they had guaranteed contracts for 10, 20, 30 years, very much go soft on their assurance that those tonnage targets were indeed going to be met.

I think as a general rule from our planning point of view from the capacity needs of Canadian National we see that those projections have been stalled in the neighborhood of 18 to 24 months.

At this point in time we do not know whether that's an accurate assessment or not. So I have a great deal of difficulty saying that the magnitude for all those commodities would be the same.

HON. S. USKIW: Well, I tend to think you're right. In fact I'm certain that you're right, that there is tremendous lag on those projections because of the economic downturn and everyone has recognized that. In fact, we discussed that very point at the last WESTAC meeting I believe it was in Calgary, or Edmonton - Calgary.

Although along with that analysis of slow-down I guess it's fair to say that proportionate to the slow-down in tonnage movement increases will also be a slow-down in capital investment by the railway system. Is that a fair comment?

MR. D. CAMPBELL: No, sir. We have identified, given these forecasts the need for capacity. We have a great number of people in our transportation planning function who have very much laid out the kind of physical work that's required to meet those needs.

I think, you know, in brief we just don't feel that we can get the kind of system in place over an Easter weekend kind of thing. It all has to be staged. We have \$11 billion worth of capital expenditures for the decade on the books. We think it's going to be needed to be spent. We felt that, and I believe statistics would bear this out, that the mainline capacity on Canadian National particularly west of Edmonton was pretty much to the state of congestion.

We view the downturn with very mixed emotions quite obviously when you lose \$223 million in calendar '82 it has some very major negative factors. From the capacity expansion point of view we look at it as a bit of a breather to try and get capacity in place which we knew we could not get in place in time to meet the kind of bullish and I think it's easy for us to say now, very bullish forecasts that were being made.

HON. S. USKIW: Would you concur though with the assumption that to the extent that there appears to be prolonged lag in tonnage increases that the industry - and I'm talking about the railway system in particular - will likely monitor that, and I'm sure they do that all the time, and not spend capital unnecessarily ahead of time, other than what they are locked in to spend. If the economic conditions remain stagnant and these expectations are not borne out and are dramatically reduced, I would imagine that the railways will slow down as much as they can their capital investment.

MR. D. CAMPBELL: That, sir, may indeed happen, not because we don't feel the physical need is there, we feel the physical need is overwhelming. If we could, we would be spending \$800 million of capital in 1983. We

are going to be spending about \$492 million. Part of that is on faith that we are going to get an interim payment related to the grain resolution. If we did not have that, our capital spending would be \$140 million less. So we very much need to be spending money, much more than what we are currently spending, but we've simply to this point of time exhausted all sources of capital acquisition.

HON. S. USKIW: Would you concur with me that if the tonnage figures are borne out and we have a new Crow package, that the railway system will be the beneficiary of \$13 point some-odd billion dollars of benefits out of the Pepin package over that period of time?

MR. D. CAMPBELL: The coming 10-year period?

HON. S. USKIW: To the year 1992, I believe it is.

MR. D. CAMPBELL: I don't believe so, but if you had a document that I could examine, I would be pleased to try and make a more intelligent comment.

HON. S. USKIW: I believe that is the calculation of the Pepin proposal.

MR. D. CAMPBELL: The benefits to the railways.

HON. S. USKIW: The railway system - the gross revenue, as a result of a new package, to the railway system.

MR. D. CAMPBELL: I'm afraid that my sources of information would not concur with that number, sir, but again I would be quite willing to sit down and examine it with you.

HON. S. USKIW: Did you indicate, sir, that you will be or the CN will be making a presentation to this committee later on?

MR. D. CAMPBELL: Yes, sir.

HON. S. USKIW: Oh, thank you.

MR. CHAIRMAN: Further questions for Mr. Campbell? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Campbell, I believe that in presentations on previous attendance it was pointed out that the coal industry was the first industry to approach you because of the need to move their commodity and they were projecting in the future where there would be rationing of rail lines so they wouldn't be able to move their coal to market, and therefore the grain was going to be taking third or fourth spot in the order of priority. If the projections go through that industry is predicting, will the grain industry be no better off than they are at this point?

MR. D. CAMPBELL: Are you making the assumption that the money for expansion will be spent or it will not?

MR. H. HARAPIAK: Will be spent.

MR. D. CAMPBELL: If the money that we feel is required is spent to enhance the capability of our carrying capacity in Western Canada, we will have capability by the early 1990's to handle much more traffic - regardless of what kind of traffic it is - than we can today. Sort of a geometric result of going from single-track railroading to double-track railroading is that you will have as much as three or four times the capacity of a single-track system.

Obviously when you're looking at having to spend such massive amounts of money, you would attempt to exhaust all other options to enhance throughput before going all the way to a double-track system. We feel over the course of the last five to eight years, in particular, that we've done virtually all we can to enhance the single-track system. This includes things like new modern, sophisticated signalling systems, longer sidings, the siding lengths have been doubled, the capacity per car has increased from an average of 40 tonne to 75 tonnes. You're aware the grain now moves in 100 tonne cars? We've gone to a doubling of the ballast, an upgrading of the ties, we have concrete ties in all the heavy sections. We're going to very heavy steel, its high alloy steel, in attempts to carry more commodity over the same basic plant structure.

When we go to the double-tracking, which is sort of where we're at now, we feel we've enhanced all we can on the single-track, then we will have perhaps excess capacity, just as we did from, let's say, the 1920's until the 1970's. You have to build a line from "a" to "b." Once it's built, you're out hungry looking for traffic and we would hope to handle as much grain, or coal, or whatever products as we can, once that expansion is completed.

MR. H. HARAPIAK: Mr. Campbell, you said that there would be \$11 billion spent on capital costs in the next number of years. I'm wondering if any of this is earmarked for a line to Churchill?

MR. D. CAMPBELL: Out of the \$11 billion worth of capital commitments to the Federal Government in CN's case, we have tried to lay out to the Federal Government very clearly our priorities as we see them from the point of view of trying to get the biggest bang for the buck. With respect to the line to Churchill, it has a carrying capability, which some of you are very, very familiar with. Given the current projections on the kind of traffic that will be needed to be handled over that line, as compared to the kind of traffic that will be needed to be handled over the mainline, particularly between Winnipeg and Vancouver, but also between the mountains and Prince Rupert, there is such a major discrepancy between the amount of tonnage that has to be handled, the amount of money that has to be spent to increase capacity, that virtually all of the discretionary funds, if you will, are going into the mainline. That is not at all to say that we won't make the kind of expenditures that may be required to service the Port of Churchill.

With respect to that Port, there are economic, political and institutional factors, which have deterred the Port's capability and because of those items and the fact that they are very unclear for Canadian National, we are very, very careful to leave the company with the flexibility

to deal with any unforeseen events, as and if they arise. But at this point in time we feel we have the capability to handle the kind of traffic that has been handled there in the past. You're perhaps aware that the Federal Government has co-funded some major rehabilitation work. There has been more research work done into the roadbed; there is heavier steel on the line. Because of considerable problems, though, with respect to the terrain and the permafrost we have no assurance that those kind of investments will greatly enhance the carrying capability. If we're talking specifically about grain, it can still be moved up in 50 or 60-ton boxcars. It cannot be moved in the 100-ton steel hoppers or the aluminum hoppers, so we are prepared to spend the capital required to continue to serve that part but we have no major capital CN dollars earmarked for enhancing the line to Churchill at this time.

MR. CHAIRMAN: Mr. Harapiak.

MR. H. HARAPIAK: Mr. Campbell, one of the greatest criticisms you hear of the Port of Churchill is that it's one-way traffic. Is it not true that almost without exception that most commodity cars are just moving traffic in one direction and they're coming back up empty in the other direction?

MR. D. CAMPBELL: Yes, it is.

MR. CHAIRMAN: Further questions? Mr. Uskiw.

HON. S. USKIW: On the Churchill line, would you confirm with me that it's more than coincidental that there is no commitment in the Pepin package for the Churchill line and the upgrading of the same to handle hopper cars?

MR. CHAIRMAN: Mr. Campbell.

MR. D. CAMPBELL: I really don't feel, Mr. Minister, that I'm in a position to say that. The major thrust of the western transport initiative with respect to rail capacity expansion has always been in our mind and we presume largely in the Federal Government's mind, although we're not certain, dedicated towards main line expansion on our major line, not to Churchill, not to the branch lines. They're all different issues and they're sort of unique issues and we would expect that the Federal Government will deal with each of those items in a unique manner.

HON. S. USKIW: When would you anticipate that the Churchill line would be able to handle hopper lines?

MR. D. CAMPBELL: Under the current situation, Mr. Minister, we do not expect to be handling traffic to the Port of Churchill in the hopper cars.

HON. S. USKIW: Period.

MR. D. CAMPBELL: Period.

HON. S. USKIW: Can I then ask you what is the balance of life left in the cars that are now utilized for the Churchill line? What are we looking at in terms of time

frame before all of the cars are either scrapped due to obsolescence or simply are worn out or whatever the terminology is in your railway system?

MR. D. CAMPBELL: The traditional boxcar fleet, boxcars used for grain, are attriting at a fairly rapid rate as most of you are aware. The fleet will be very small by 1986-87. We have an additional problem to that and that is the fact that the Canadian Transport Commission has ordered that beyond, and I believe the date is 1987, the very high percentage of railway rolling stock will all have to be equipped with roller bearings and that will further increase the possibility that boxcars will be depleted faster than would otherwise occur. But I think if we're talking in terms of the 2,000 to 3,000 boxcars - that is roughly the number of cars required to service the Churchill run in the summer - we will be down to that level or less by 1986 or 1987.

HON. S. USKIW: Well, would you not find it rather strange then that in the upgrading of the railway system that is supposedly tied to the Crow rate issue, that the Churchill line question should be addressed or are you not surprised it is not addressed?

MR. D. CAMPBELL: Well, without meaning to overly deflect the question, sir, I think it's fair to say that the Gilson consultations - well, there have been obvious departures from the Gilson Report - which were the basis for much of the current initiative in legislation, I think it would almost be safe to say did not deal at all with the Port of Churchill. It was not raised by the participants in that room as a major concern and I do not believe that Dr. Gilson dealt with it directly. From a railway point of view, as I've said, we stand ready to serve or to attempt to serve whichever direction the grain goes. I think it's fair to say that the organizations represented in the Gilson consultations felt that the alternates to the Port of Churchill had a higher priority and that their main concern was ensuring capacity to the Ports of Thunder Bay, Vancouver and the new Port of Prince Rupert. So I do not believe that Churchill was discussed in any meaningful way throughout those consultations.

HON. S. USKIW: What I interpret from your remarks then that the Pepin proposal for the next decade is not dealing with the Churchill question, and they are indeed leaving it up to the CNR to maintain a service there. If that is the case, what would be the norm in terms of CNR decision-making, recognizing the fact, as you have just stated a moment ago, that you will be down to below your minimum requirement boxcar fleet by 1987, how would CN address that problem if it's out of the context of the federal commitment with their new initiative and if there are no new federal dollars flowing towards the system?

MR. D. CAMPBELL: An easy question. I guess I have to keep coming back to the fact that under legislation we have an obligation to move traffic when it's duly and properly offered to us. The Federal Government is aware of the problems. For obvious reasons we try and make them aware of the problems. We are aware

that they are in a separate initiative trying to address the viability and the longer term needs of the port. This does not just include rail but tourism and air supply, the whole larger areas. I'm sure your ministry is as well, and we are hopeful that once that analysis has been done, some decisions will be made which probably will have an impact on the grain transportation system. Hopefully, that will happen before 1986 or 1987 when we do not have adequate boxcars. There are a multitude of options, repairing boxcars, purchasing or leasing boxcars from the United States or moving the grain through alternate routes. So there are a large number of options and to say we're sort of the carrier boy waiting to receive our instructions.

HON. S. USKIW: For how many years has CN been violating the law then?

MR. D. CAMPBELL: I'm obviously not equipped to answer that question and I would like to think it's out of order, but I'm not sure.

HON. S. USKIW: Well, no, Mr. Chairman, I want to amplify my question. You sir, stated that the law requires that the railways must move product when it's available and when there's a market for it, but we have witnessed over the last decade the Government of Canada not only buying hopper cars, but building up branch lines and spending untold sums of money in the billions, in order to move that commodity. So my question again is, how long has the railway system been in violation of the Act under which you function in this country?

MR. D. CAMPBELL: Mr. Minister there have been two or three court cases in this respect. To my knowledge, two of the key findings of the various courts suggested that while it was indeed the duty of the railway to offer appropriate carriage, equipment, etc., it was not the prerogative or the duty of the railway to bankrupt itself on such a movement.

Now that may not sit well with many people, but it has been interpreted by many, I believe, including the Federal Government that under the circumstance of the very low statutory rate and the losses that it causes to the railway, that someone else in the largest sense, the Federal Government, but in the case of cars, the Government of Manitoba, had stepped in, the provinces of Saskatchewan and Alberta to fill some of that gap. So I couldn't at all attempt to respond to try and differentiate between liabilities between a carrier, which has duties under various Acts, and government or governments who have duties under the law of the land.

With The National Transportation Act, since 1967, if we have been forced to perform any kind of duties as an imposed public will, we are to be compensated for doing so and we have not been. That is one of the reasons why we're here today.

HON. S. USKIW: Would you care to indicate to the committee whether or not the railways handle any commodities at any time, to any point, without getting compensatory rates in Canada, other than the grains that we're talking about? I'm talking about general merchandise movement.

MR. D. CAMPBELL: My understanding, Mr. Minister, is that it is against the law for the railways to charge rates that are below cost. The definition, as you're aware of, minimum compensatory can have quite a range into it. I would not want, on a stack of Bibles, to suggest that there may not have been times when the rate was at, or very close to the cost level, but the intent of railway management, quite obviously, is to not carry commodities at a loss.

MR. CHAIRMAN: Mr. Harapiak.

MR. H. HARAPIAK: Mr. Campbell, having been an employee of the railroad and working on the northline, I have seen many improvements on the upgrading of the railbed itself and also the rail. I was under the impression that the only thing remaining now was for the test to come back on the cryo anchors, and if that was successful, then the line could be used for the movement of grain - but that doesn't seem to be.

First of all, do you know if the results are back yet, if the final results are back in the cryo anchors and if they are positive, would it be possible to move the grain then with hopper cars?

MR. D. CAMPBELL: Mr. Harapiak, there were three years worth of studies done by a consultant, done under the direction of Canadian National, paid for by the Federal Government. The results of those studies are now public. We made them public, I believe it was in September of 1982, so they are available and we would be pleased to ensure that you receive a copy.

The general thrust of that research into the problem of permafrost was that on the very few limited test sites, there was strong indications that there could be some strong amount of stabilization to prevent the sinkholes or the accordion effect - the edge between the frozen and the thawed areas of ground, which you could prevent in a very significant way, the movement of the soil substructure. So the initial results looked positive. They were done on a very few number of test sites. Our engineering people have identified in the neighbourhood of 245 such problem areas, there were only five areas, I believe, studied.

As well, there has not been an exhaustive study as to how many more sort of hidden terrain problems may exist. For us to further study that area, it would cost a great amount of money. We have notified the Federal Government of a rough magnitude of the costs of continuing research. If they or the Government of Manitoba or anyone else was willing to finance the considerable research that would be required to see if this new kind of technology could, indeed, allow the movement of hopper cars, I'd be very pleased to bring that back to our senior management and have them sit down and discuss the situation with you.

Given the availability of capital or the lack of availability of capital that we currently face, the Canadian National has no intent, at this time, to finance that out of our own coffers.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Thank you, Mr. Chairman. One question, Mr. Campbell. I'm wondering if CN has

quantified at all the number of tonnes of grain that would move in 1985, should no major capital expansion occur within the railway system in Western Canada, given that the recession that we're now in begins to improve. Have you quantified at all the impact it would have on grain?

MR. D. CAMPBELL: We provided some analysis to the Western Transportation Advisory Council. Their numbers, I believe, suggested that the demand for transportation would exceed supply in the neighbourhood of 5 million tonnes by 1985 and 10 million tonnes by 1990. Again, I caution that that work was done before the current recession, so maybe we're talking '87, '92, or some other hypothetical dates at this point in time. Depending on what assumptions you would want to put into that kind of study, I'm sure we could come up with many different answers.

We have a grain-handling capability in the neighbourhood of 2,000 cars per week, grain cars, westbound. We do not see, in any way, how that could be exceeded, other than a very short-term, if other traffic was down, or whatever. So 2,000 cars per week, which is roughly what we're hitting right now, would be the limit of westbound grain movement, unless coal or sulphur or some other commodity that currently also shares that line with grain, were to move by alternate method of transportation, market softness or whatever.

MR. C. MANNESS: Are you saying then, Mr. Campbell, that right today your upper capacity is being challenged on the line, even though those other commodities that are paying the compensatory rate indeed are not moving at their maximum?

MR. D. CAMPBELL: We could go back to 1981, particularly the first half of 1981. We had considerable cuing in the sidings, virtually all of the sidings westbound, west of Edmonton. Grain at that time, I believe, was in the neighbourhood of 17 to 10 percent of the commodity flow westbound - coal, potash, sulfur were all near capacity. So I think it would be fair to say that everyone for short-term periods, but for a good chunk of the 1980-81 year was feeling the effects of congestion on our western mainline. It hurt our car cycles in Canadian National system wide. The car cycle has consistently dropped from a system average of 17.5 cars per day down to the current average of 12 cars per day. The mountain region was the one exception where the car cycles started to extend. They were getting longer and longer, and to the best of our analysis the reason was the cuing on the mainlines trying to get the trains through.

I think that you should keep in mind that in the sense of this very high amount of traffic being moved in the mountain region we have tremendous maintenance requirements. Despite the upgrading that I mentioned earlier, we have rail, this very high capacity, heavy-weight rail that still wears out every 18 months in the mountains and as such we are spending as much as eight hours per day on maintenance. You obviously can't do maintenance with the one, two and four-men gangs, you have to in effect stop the traffic for five to eight-hour blocks so you can do your maintenance works. So the combination of all those factors led us

to state and again, publicly, at the WESTAC Hearings that we were at capacity at that point in time.

MR. CHAIRMAN: Further questions? Mr. Plohman.

HON. J. PLOHMAN: Just for clarification, Mr. Chairman. I believe that 90 percent of Manitoba's grain would move east, not west, under the statutory rates. Is that correct?

MR. D. CAMPBELL: Sorry, Mr. Plohman . . .

HON. J. PLOHMAN: Well what percentage of it?

MR. D. CAMPBELL: I don't have an exact percentage. The large bulk is definitely eastbound, however, I think if you look at it commodity by commodity there are quite a few differences, rapeseed and flax, for instance, I think there is a good percentage does move westbound.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Well, Mr. Campbell, would you concur with my comment then that even though most of our grain goes east, that indeed under the Wheat Board quota system that Manitobans have no more claim on the rail capacity going east than indeed a grain producer in Saskatchewan does?

MR. D. CAMPBELL: Yes, I would definitely concur with that. We do what we're told. It's a matter of the grain transport, the agency, authority, and the Canadian Wheat Board and the non-Board shippers all deciding which direction the grain shall move and we simply put our trains together and try and follow orders.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Would it be correct though that the volume eastbound is not near capacity, there are no problems with that? You were just indicating to Mr. Manness previously that it's at or near capacity westbound. What is the situation eastbound?

MR. D. CAMPBELL: This is an excellent opportunity to talk to you about forecasts. Canadian National, in the best analysis that it had available to it back in the early 1970s, decided that the major capital investment needed in this region was between Winnipeg and Thunder Bay. A great amount of money was spent on the subdivisions between Winnipeg and Thunder Bay, I think \$92 million worth on the main line plus considerable expansions at our yards near Thunder Bay and the trackage leading to the grain terminals, so that much of that money despite the Crow rate, despite the other circumstances of the day, Canadian National did make a major investment in the rail system which is used largely by the grains industry between Winnipeg, which is our funnel from the west to Thunder Bay. We have considerable capacity there. I would hesitate to put a number on it, but I would say without hesitation that we could handle 30 percent more grain to Thunder Bay without any significant capital expenditures.

MR. CHAIRMAN: Further questions from Mr. Campbell? Seeing none, Mr. Campbell, thank you very much for appearing today.

Is Mr. Magarrell or Mr. Kendall here from the Chamber of Commerce?

MR. K. MAGARRELL: My name is Kent Magarrell. Mr. Kendall was called away and couldn't make it, so I'll have to give the presentation by myself.

The Winnipeg Chamber of Commerce reported and commended the work of Dr. Gilson and his dedication to the task of resolving the statutory grain rate issue. We believe it was a very effective method of recommending a system to change the statutory rate structure which has been in place without change since 1925.

It is our belief that if subsidies continue to be part of national transportation policy, they be readily identifiable with incentives for performance included in any payment scheme. The amount of the payment and the beneficiaries should be clearly identified. Freight rates on agricultural commodities must allow comparative advantage of region to dictate location of primary and secondary industry.

It is the Chamber's position that any monies provided by the Government of Canada as compensation in lieu of the statutory rate be distributed to all producers. This ensures that the monies will be in the hands of those in the best position to ensure that a system is developed which will serve their needs in an efficient manner. We hope that the Government of Manitoba will decide to support the Western Grain Transportation Initiative and we'll see the strengthening of positive aspects of the proposal rather than continuing to oppose it.

Our Chamber commends the Federal Government for its foresight in recognizing the need for change. The existing Crow rate structure is recognized as inadequate to offset the cost of movement and as a consequence the capacity to move grain is being adversely affected.

Our rail lines need improving. The existing rates for the transportation of agricultural products do not give the railways the dollars to upgrade rail service to an appropriate modern standard.

The Western Grain Transportation Initiative is the first real megaproject possible in Western Canada. We have all spent time chasing after what are now illusory megaprojects that have now disappeared. This is a megaproject whose benefits are guaranteed to reach in every fiber and core of the economy of our province.

In conclusion, I urge all Manitobans to recognize the need for change. It is time to look at the broad and long-range picture of what is best for Manitoba rather than a short-sighted examination of immediate detail.

Thank you.

MR. DEPUTY CHAIRMAN, H. Harapiak: Are there any questions of Mr. Magarrell? Mr. Uskiw.

HON. S. USKIW: Perhaps, sir, you might indicate to us what has brought about your change of position from a year ago? As I recall it a year ago the Winnipeg Chamber was expressing a great deal of concern about the proposals. Perhaps you might want to tell the

committee why it is that you now take the position on the other side?

MR. K. MAGARRELL: I don't recall the Winnipeg Chamber expressing concern, was it the Manitoba Chamber?

HON. S. USKIW: No, it was the Winnipeg Chamber.

MR. K. MAGARRELL: I shouldn't ask you a question, I'm sorry.

HON. S. USKIW: No, well, perhaps maybe I should elaborate it's my recollection, sir, that the Winnipeg Chamber, in fact had someone work on this or perhaps I'm confused myself, Mr. Chairman. It could have been the City of Winnipeg and maybe I'm confusing that with the Winnipeg Chamber, but there was a concern by the urban community in Winnipeg about the proposed changes. I took it to mean that the Winnipeg Chamber was part of that.

MR. K. MAGARRELL: Not to my knowledge.

HON. S. USKIW: Not to your knowledge - okay, that's fine.

MR. DEPUTY CHAIRMAN: Mr. Manness.

MR. C. MANNES: Yes, Mr. Magarrell, you say in your second paragraph, "The amount of the payments and the beneficiaries should be clearly identified," and in your fourth paragraph that "compensation should be distributed to all producers." I guess you're well aware that indeed this is one of the concerns of Manitoba Pool Elevators, that indeed it will be clearly considered as a subsidy to farmers. In the Chamber, how do they consider this at all? Do they believe that indeed that stigma, that there would be any stigma associated with farmers at all if in fact the general public, the vast majority who are not of course farm people, would in fact consider this nothing more than a handout to farmers?

MR. K. MAGARRELL: First of all, we don't ever claim to speak for farmers, represent farmers. We can't say how we think farmers would perceive, but as a business community certainly it is a farm support and that's as we perceive it. How that will be perceived by voters or perceived by anybody else is out of our hands. Our belief is, first of all, that we try not to have subsidies, we try not to have as a general overall philosophy subsidies, or the other two that may perhaps distort natural advantage. However, we live in real world. So we say that if the powers that be decide that such payments are required for whatever, agriculture, whatever section, it should be clearly identified as to what the reason is and clearly paid, and paid directly to the recipient rather than channelling it through a variety of different channels. This is just one aspect. If it's going to be farm support, which is what we think it is, fine. That'll go direct to the farmer then, he can decide how he wants to spend it.

MR. C. MANNES: Well, Mr. Chairman, you say you consider it farm support. You don't consider it

transportation support? You simply consider it support of the farm.

MR. K. MAGARRELL: Certainly we do, because it's a problem of the rate which is causing our railway problem, therefore I say if the rate is created because of inability of the farm sector to pay, then give the farm sector money, let them pay up front.

MR. DEPUTY CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Yes, my colleagues seem to concur with me, sir, that it was indeed the Winnipeg Chamber that expressed grave reservations a year ago. How long have you been connected with this issue with respect to . . . ?

MR. K. MAGARRELL: About five years.

HON. S. USKIW: Five years. Did Mr. Stechesen not work on this project?

MR. K. MAGARRELL: Mr. Stechesen is a consultant that's hired - I forget - part of his week, as a consultant to the Chamber. He wrote an internal document with some very strong personal views. That was not accepted as policy by counsel, and in fact at the last annual meeting of the Manitoba Chambers in Morden of last summer, I believe it was, the Winnipeg Chamber brought forward a resolution on policy that was quite parallel to this one. Mr. Stechesen's internal paper was strictly that, his own views, his own recommendations, too.

HON. S. USKIW: Well, perhaps that's where the confusion lies because we were led to believe that he was expressing the views of the Winnipeg Chamber rather than his own personal views and perhaps that was erroneous on our part, but he was identified in that way, sir, last year.

MR. K. MAGARRELL: Yes, it was an internal document and it was quite strongly rejected by counsel.

MR. DEPUTY CHAIRMAN: Are there any further questions of Mr. Magarrell? If not, thank you for coming out and making your presentation.

Are there any further presentations to be made to the committee? If there aren't, I'll remind the committee that our next meeting is on Thursday, April 14th, at Swan River Collegiate Hall.

Mr. Uskiw.

HON. S. USKIW: Yes, I'm wondering about process here. We had a staff person do an initial presentation here today. My question is whether it wouldn't be prudent to allow either the Chair or whoever I have with me do it as opposed to bringing that one person? Can we allow flexibility there? I'm not sure that it's worthwhile to take that individual all over the province, given that his presentation is about a 10-minute presentation, and the rest of the time he would be killing time, in essence. It would be an awful waste of resources, really.

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

MR. D. ORCHARD: I agree, that seems a questionable use of a man's time over the next six hearings. The only thing that I think we'd want to make sure, Mr. Chairman and Mr. Minister, is that someone would be there in the event that questions arose on it to verify it, okay?

HON. S. USKIW: We have an option of requiring that someone be there to deal with it - it is not on this committee. On the other hand, we could, if the committee agrees, to simply allow the Chair to read that into the record as a piece of information at each meeting and leave it as a matter of record without having any cross-examination of it since we've all accepted the document as being factual.

MR. D. ORCHARD: Okay, then, if you were to follow that format, we changed from this morning in that you would not invite questions to the presenter of that material. It would simply be read and that's it; we get into the hearings.

HON. S. USKIW: Yes, what I'm suggesting is we maintain the two options, that if we have a staff person to handle it, fine. If not, the Chair will simply read the document into the record at each proceeding and accept it as such.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Yes, Mr. Chairman, if the Minister's prepared to provide us with the options, then I have

no problem with it, and I think for the sake of the committee the Chairman could in fact read it. And as the committee has proceeded here today, the committee is not the one that is being questioned, so I wouldn't see very little need for questions to be brought to the committee because they would have been out of order. Thank you, Mr. Chairman.

HON. S. USKIW: Exactly the point.

A MEMBER: Committee rise.

MR. CHAIRMAN: One moment please. I'm not completely clear on what the committee wants. My understanding was, as at the municipal hearings, we had allowed questions from the audience on the staff presentation. I take it from what's being said now that we don't want that, we just want the straight presentation and move immediately to briefs.

I, after consultation with the Clerk, will be advising members early next week as to the details of transportation arrangements. If any members are not going to be travelling with the committee next Thursday and Friday for the full trip, I would appreciate either myself or the Clerk being advised as soon as possible, so that other arrangements can be made, since the arrangements we have made for transportation are rather complex.

Take a motion to committee rise? So moved, agreed, so ordered. Committee is adjourned until next Thursday in Swan River.