



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

STANDING COMMITTEE

on

AGRICULTURE

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Monday, 25 April, 1983

TIME — 8:00 p.m.

LOCATION — Morden

CHAIRMAN — Mr. A. Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

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

WITNESSES: Mr. Herman Rempel - Lisgar NDP Association

Mr. William D. Sloane - Private Citizen

Mr. Jack Penner - CSP Foods Ltd. Advisory Committee

Ray Siemans - CSP Foods Ltd. Advisory Committee

A brief was also read into the record by Mr. Jack Penner on behalf of the Joint Committee of the Rhineland Agricultural Society, Altona Farm Business Association and the Red River Valley Young Farmers Club

Mr. E.H. Evenson - Private Citizen

Mr. Ken Rutter - Private Citizen

Mr. Jake Froese - Private Citizen

BRIEF SUBMITTED IN WRITTEN FORM ONLY:

Mr. John A. Clark - Private Citizen, (Mather, Manitoba).

MATTERS UNDER DISCUSSION:

Western Transportation Initiative proposed by the Government of Canada.

* * * *

MR. CHAIRMAN: Take your seats please gentlemen we would like to begin. As we recommence our meeting, Committee come to order, I would like to apologize to those of you who have been waiting for us. Some of us felt that if we rushed our dinner we might suffer from indigestion and we knew you wouldn't want us to do that, so we took a little longer than we were supposed to.

The Member of Pembina on a point of order.

MR. D. ORCHARD: Point of order, Mr. Chairman. I distinctly saw certain members of the committee who ate salad enjoying a large slice of cake which delayed the meeting.

A MEMBER: And ice cream, too.

MR. CHAIRMAN: On the point of order, I understand that in being in the constituency, the Member for

Pembina, Mr. Orchard, he would appreciate that some members of the committee wanted to sample a local delicacy called mud pie, and I wish to advise those who have twiggled Mr. Orchard's point of order, that Mr. Orchard did not treat the dessert.

A MEMBER: Shame.

MR. CHAIRMAN: The authority for this committee to hold these meetings is vested in a resolution unanimously passed by the Legislative Assembly on March 15th of this year. That resolution reads as follows:

WHEREAS, on February 22, 1983, the Saskatchewan Legislature unanimously passed the following resolution:

Because the proposals advanced by the Minister of Transport for Canada to replace the statutory Crow rate:

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

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

THEREFORE BE IT 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 to this Session of the Legislature.

As background information, both for the public and members of the committee, staff have prepared a summary of the details of the Federal Western Transportation Initiative. I believe the Clerk has additional copies. Is there anyone who does not have

a copy of a paper entitled "The Federal Western Transportation Initiative?" Did everyone manage to pick one up as they were coming in? I'd like to very quickly read through that paper, so you're familiar with the initiative and the details thereof.

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

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

First person on our list for this evening is Mr. Herman Rempel.

Mr. Rempel please.

MR. H. REMPEL: Mr. Chairman, members of the committee and ladies and gentlemen. I was wondering if there was anyone back there.

I have a treat for you because my brief is going to be very short. If you would substitute "Proposal by" the Lisgar NDP Association and take that out and

substitute "Position of", maybe that would be more appropriate.

The Lisgar NDP Association wishes to go on record as opposing any change in the Crow rate. The proposed changes in the Crow rate are seen by the Lisgar NDP Association as a bonanza for the railways, and is seen by the Lisgar NDP Association as the Government of Canada having complete disregard for the wishes of the majority of the people of Western Canada.

We maintain that this important matter concerns, not only the Western Canadian farmer, but effects every bread-eating individual in our country. I want to emphasize that last phrase - every bread-eating individual in this country.

Now, in consequence of the above statement, we the Lisgar NDP Association present and endorse the following resolution. Now, Mr. Chairman, you presented that resolution and it appears to be your terms of reference, which I was not aware of when we prepared this. So, with your permission, I would like to just leave that and with your permission to consider it recorded as you presented it this afternoon. Is that okay with you?

MR. CHAIRMAN: That is certainly agreeable Mr. Rempel.

MR. H. REMPEL: Very good.

MR. CHAIRMAN: Questions for Mr. Rempel from members of the committee on the Lisgar NDP Association Resolution to the committee?

Mr. Manness.

MR. C. MANNES: Thank you, Mr. Chairman. Mr. Rempel, you say the Government of Canada has complete disregard for the wishes of the people of Western Canada; more specifically, the farmers in Lisgar. Are you saying that, in majority, in this area which is so productive, that the farmers do not want to see a change in the system of transporting grain?

MR. H. REMPEL: In the majority of cases, I would believe so from the people that I have spoken to in the NDP Association, as well as individual people that I have been in contact with. I couldn't give you the percentages of those that are for, or against.

MR. C. MANNES: I believe that the present member of this riding, Jack Murta as going on record as supporting some change. Are you saying then that he does not represent the majority view of farmers in this area?

MR. H. REMPEL: All I can say is he's probably not been talking to the same people that I have.

MR. CHAIRMAN: Further questions? Mr. Orchard.

MR. D. ORCHARD: Mr. Rempel, I asked Mr. Klassen earlier on, how many farm individuals he had contacted in arriving at this position as presented on behalf of the NDP Association of Lisgar. I will ask you the same question, Mr. Rempel.

MR. H. REMPEL: The people that we talked to at the meeting, the majority of which were farmers, I would

say probably about 25 to 30 people, but I do not have a petition or a signature from them.

MR. D. ORCHARD: That was my next question. You don't have a list of signatories to your brief?

MR. H. REMPEL: No, I don't.

MR. D. ORCHARD: Thank you.

MR. CHAIRMAN: Further questions for Mr. Rempel. Seeing none, Mr. Rempel thank you for presenting a brief here this evening.

MR. H. REMPEL: Thank you.

MR. CHAIRMAN: Next person on our list is Mr. William D. Sloane. Mr. Sloane please.

MR. W. SLOANE: Mr. Chairman, members of the committee. I am here before you as representing an average farmer's point of view, stating my position as an individual farmer.

I would like to tell a little story to try and break the tension that has existed around here for awhile if it's permissible. I read a story the other day and it had some bearing I would think. It bears resemblance to the relationship between the CPR and the Federal Government. This farmer he had an aged mother in a home and used to go to visit her quite often. He would take a bottle of milk along every time, but he always spiked it with a bit of brandy. She never let on. It carried on for sometime. Finally she said to him once, I want to make a request of you. Fine, what is that? I want you never to sell that cow.

I am a farmer, have been all my life. I have seen my father and his neighbours fight to get orderly marketing, and I think a good transportation system is half of an orderly marketing system. I took the time to write this brief out yesterday and I will read it to you rather than try to recite it.

In presenting this brief, I am giving my own views as a farmer on the transportation issue. I feel these are shared by many of my neighbours. Recently many of us received an elaborate brochure from the Honourable Mr. Pepin's office - I meant to bring it down and just wave it, you know what it looks like, big red print - outlining his views on the Crow reform.

Am I too close to this thing?

MR. CHAIRMAN: No, doing just fine Mr. Sloane.

MR. W. SLOANE: I describe that brochure as one of the greatest fairytales to come out of Ottawa. It is built on suppositions, many of which are contradictory. The main assumption, of course, is that a great big expanded railway system spells prosperity for the western farmer. Make the railways prosperous and everything will fall in line. As a farmer I would say that a better transportation system, although necessary, does not guarantee prosperity to the farmer; we are too vulnerable to the world markets. I can remember selling wheat for 40 to 50 cents a bushel. The President of the Palliser Association says he can overcome that shortfall by growing twice as much. What makes him

think the market will always be there if the cost of shipping a bushel of wheat can go to 60 cents, and later on to 90 cents a bushel, along with other added costs, how long will we be in business?

The Pepin proposal would have the Crow gap payment go to the farmer, rather than the railway; a clumsy and costly way of subsidizing the railways, in my estimation. He would turn what was supposed to be a transportation subsidy into an agricultural subsidy. Much of that money would never find its way back into the transportation system.

It is estimated that only 22 percent of the total freight through the mountains in future will be grain, well that accounts for 13 percent of the total workload. I notice there is a little difference in percentages here today, but I read these figures out of one of the bulletins.

Why shift so much of the load onto agriculture just to facilitate greater export of coal, potash and sulphur. We have been able to export the bulk of grain we can sell so far. If greater capacity is needed for other products the responsibility should be elsewhere.

In all the plans for an updated railway system nothing has been worked into the plans to upgrade the Churchill line. There can be a direct saving by that route and we should include the Port of Churchill in any plan. With all the public money going into transportation system we still do not have any equity in the CPR. We are building roadbeds, bridges and rolling stock to the tune of millions; why not have an equity in the system and command performance? Our two systems could then be fully integrated for better service. My idea of a transportation system is one which serves the people in remote corners of the branch lines, as well as, those living on the main line. It is an inheritable right given to the people who settled this country.

It would seem, by reading the Pepin plan, that the door is left open to a variable rate structure. Such action would spell disaster to rural communities and add heavy costs to the farmer who is forced to haul his grain long distances eventually; and also to the municipal taxpayer and the provincial governments in the upkeep of roads and highways. There is altogether too much heavy traffic on highways as of now. The railway system was built to tie this country together from east to west. If the Pepin proposals are adopted you could, in time, see grain moving south down the Mississippi.

While encouraging all-out production a cap is put on subsidy over 31 million tonnes; that is one contradiction. They ask for greater production and put a cap on which would discourage it. More feed grain would be fed on the prairie and greater livestock production would come about. To remind you that the USA is our only export market and it won't absorb too much so this great increase in livestock production is a bit of a pipe dream.

An expanded oilseed industry is also visualized. True, we have a good market in the Orient but, even with present production, we have crushing plants closing up or slowing down. Personally I wonder if this all-out production which is being advocated will not be at the expense of soil fertility in the long run. A statement recently from the University of Saskatchewan speaks with alarm at the rapid depletion in the level of nitrogen in the soil as compared to earlier years.

The Crowsnest rate was a hard won agreement our fathers fought for in exchange for very valuable subsidy

given to the CPR, as well as, huge tax-free grants and mineral rights when the railway was first built. No one will ever know how much revenue is generated by this agreement over the years by the CPR. If the farmer got a good deal so did they. It put the grain growers in a better position to compete in the world market, has been a big factor in maintaining our balance of trade. In my opinion to adapt the Pepin plan now would spell disaster for Canada.

Thank you.

MR. CHAIRMAN: Thank you, Mr. Sloane. Questions for Mr. Sloane from members of the committee.
Mr. Uskiw.

HON. S. USKIW: Mr. Sloane I'm going to throw you an unusual question, one that I haven't used to date in these hearings, and that is, what would your brief say if the CPR was owned by the CNR? The reason I put the question to you is that the CNR is leading the discussion for the change and it is publicly owned now.

MR. W. SLOANE: I have always been of the opinion that we could command greater performance if we had complete ownership of the railway system. In my estimation the transportation system is one that does fit into public ownership very nicely. It is a necessity to everybody and just because the books don't balance every year that wouldn't be too big a worry. It is a fact that you're giving that service where it's needed everywhere and the one who lies in the outlying territory is just as entitled to it - I don't know if that's answering your question right, Sam.

HON. S. USKIW: Yes, what I'm really getting at is that if it were all publicly owned there would still be a shortfall of revenue. So someone has to make up that difference, are you expressing the viewpoint that it's quite legitimate for the taxation system to foot the bill that is now being proposed, whether it be publicly or privately owned?

MR. W. SLOANE: I think so, quite legitimate. We see other forms of subsidy for airlines and various things, canal systems and everything else through the country. The rail system, with this agreement we've had in effect in the west, has meant millions to this country in exports and it hasn't just benefited the farmer, the spinoff has been very beneficial to the general economy. I wouldn't worry about having to subsidize the system to make it work right.

HON. S. USKIW: One last question, would you agree with the idea that the Canadian Transportation System, as far as grain movement is concerned, should be competitive to the extent that it receives public support along the same level as other countries provide for their transportation system? I am now referring you to what happens in Argentina, what happens in the United States and so on. Almost all of them, in fact, all of the exporting countries who are in competition with Canada, are either on the water or not far from the water. We are the only major inland source of production that's out there in the world market. So, would you concur that our subsidies to transportation should be competitive with those of other countries that we are competing with?

MR. W. SLOANE: As was stated this afternoon, I think it is one kind of a subsidy that is acceptable. Other subsidies, such as, the common market or what the United States is suggesting, certainly would lead to a trading war, but this is something, I think, is quite acceptable, you're just equalizing the opportunities for your farmers that the United States have readily at the door with the Mississippi Waterway.

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

MR. D. ORCHARD: Mr. Sloane, I realize in your brief that you indicate, basically, you're against a change in the freight rates. This afternoon the Manitoba Pool made a presentation where the discussion got around to a change safety method by tying freight rates, as a maximum, to a percentage value of grain, and in the case the Pool drew our attention to the fact that the historic relationship for approximately 30 years was a 7 percent freight rate as a percentage of the value of the grain.

If that change were to occur Mr. Sloane, would you support that kind of a safety-netting process?

MR. W. SLOANE: My present position, it's not acceptable to me. The agreement we've had in the past, many years the railways have been getting by, making money on that rate. They ran into higher costs of late, but as I stated in my brief the CPR has benefited greatly from concessions made in the past and they've never even opened their books to the public for a real accounting. Because they're falling behind now I don't feel that sorry for their position. I would think that, over a period of years, that they might come all right.

A farmer doesn't estimate his position by one or two years business. He has his ups and downs, too, and if he loses money one or two years, he'll make it up another year.

MR. D. ORCHARD: Well, Mr. Sloane, with all due respect, I think that quite often the issue of the land grants and the cash grants to the CPR are tied in incorrectly with the establishment of the Crow rate. I think those were land grants that were established in order to accomplish the construction of a transcontinental railroad.

I would ask you this, that if the concern is the fact that CPR received free land, and because of that they shouldn't receive any further compensation for moving grain because of the land grants, how do we rationalize that with the fact that there are probably in existence some family farms that have remained in family ownership from the days of the original homesteader land grant; they also received free land? Do we paint them into the same corner as CPR who received free land?

MR. W. SLOANE: Well I would say that what they received was nothing near the concessions granted CPR. I realize what you say that land grants and mineral rights were something that were given to build the railroad across the country and the Crow Agreement came later as a subsidy for mile rail building. The earnings were all there in that corporation. You know,

as well as I do, that there were some years that the CPR weren't performing; they were investing their money out of the country when they should have been looking after their own system here. A deal is a deal, there's two sides to a deal. The CPR wants to pull out on their side, well that's fair and good.

I noticed in the City of Winnipeg they're not very anxious to revoke their agreement of a tax-free concession they got there; it works both ways.

MR. D. ORCHARD: I guess maybe that's where there are two sides to any argument. The City of Winnipeg and the Provincial Government, on one hand, is saying in the City of Winnipeg that the tax agreement has to be broken and, on the other hand, the position has been made that the Crow rate can't be broken. If a deal is a deal then, theoretically, we shouldn't be breaking the tax deal in Winnipeg then.

MR. W. SLOANE: I was just turning the tables on them. They want to break the Crow Agreement, but they're not willing to break the other agreement, so it works both ways.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Thank you, Mr. Chairman. I'd like to take this opportunity, and I've heard presentations made by many people and, of course, there are a number that are concerned with the CPR. I'd like to take the opportunity to ask you, sir, why there seems to be such a large number of people detest that railway? I can tell you that the La Riviere Sub. that goes right by my farm was built 100 years ago and has provided, in my view, basically good service to all of agricultural southern Manitoba over that period of time.

What is it that offends so many people when they consider any question to do with transportation; to do with freight rates? What offends them so much of the CPR? Is it strictly again like you mention in our last answer, because they've been successful and invested it elsewhere, or is there something more to it than that?

MR. W. SLOANE: Well I think chiefly because of the lack of performance people have turned against them. I said they invested money out of the country that actually came out of the concessions that were given to them in this country.

I noticed in the first gentleman's brief today he remarked about how the CN was performing much better on his line over on the Somerset line than they were on the CPR to the south. I can bear that out. We used to look over there with envy at the number of cars they were getting when we had to hunt far and wide to find rail cars, we were wondering where they were. Some of them ended up in the States, they were earning better money. I guess they went to where there was better pickings and forgot about their agreement.

As a farmer I looked to the CPR to live up their agreement to provide service for the concessions that were given them.

MR. CHAIRMAN: Further questions? Mr. Adam.

HON. A. ADAM: I just had the one question or two. Mr. Sloane, you mention that there had been land grants

given in the beginning to the CPR when they established the rail line over Canada. Are you aware that as late as 1979, that CPR was given a half section of land, Order-in-Council 975, absolutely free under the old agreement?

MR. W. SLOANE: In what year?

HON. A. ADAM: 1979.

MR. W. SLOANE: No, I wasn't aware of that.

HON. A. ADAM: The Province of Manitoba transferred over to the CPR under the old agreement. You mentioned something about keeping our bargain. We are keeping our bargain on it, we're still providing land free-of-charge to the CPR. I was wondering if you were aware of that?

MR. W. SLOANE: No, I wasn't aware of that.

MR. CHAIRMAN: Further questions. Seeing none, Mr. Sloane, thank you very much for taking the time to come today and presenting your brief.

Next name on our list is Mr. Jack Penner, Vice President, CSP Advisory Committee.

MR. J. PENNER: Mr. Chairman, and committee members, I would like to invite the President of CSP, Mr. Roy Siemans, to sit with me.

Mr. Chairman, committee members, ladies and gentlemen, I'm wearing two hats today and I'm going to be presenting two briefs on behalf of two different organizations, so we'll deal with one first and then we'll deal with the other one.

The first one is on behalf of the CSP Foods' Advisory Committee and it is actually a brief that we presented to the Honourable Jean-Luc Pepin in regard to the transportation of sunflower seeds and the oil, and we also sent Mr. Uskiw and Mr. Uruski a copy of these proposals so, to a couple of the committee members, it's not new.

I'd like to read the first portion of the brief and then, if you don't mind, I'll leave some of the brief out and just deal with the important aspects of it, if you don't mind.

First of all, I'd like to say that CSP Foods' Manitoba Advisory Committee provides an effective linkage between Manitoba oilseed growers, CSP Foods and Manitoba Pool Elevators. The Committee consists of up to 12 members elected alternately for a three-year term at an Annual Growers' meeting in Altona. Qualifications include membership in Manitoba Pool Elevators, being an agricultural producer; and having sold sunflower seeds, canola, or other oilseeds as a contract grower to the Altona plant within the last two years.

The Committee provides advice and assistance to the Board and Management of CSP Foods in the development of effective relationships with Manitoba oilseed growers in matters pertaining to both crop development and processing requirements. It is because of this dual perspective, as producer and processor, that we are in a unique position to comment on the effect that freight rate policies have on crop production economies, as well as processing in Western Canada.

I'd like to go on to Page 3, but before I do I'd like to say that Mr. Pepin has indicated that canola products and flax seed and its processed products would be included under the Pepin proposal if that is implemented. Sunflower seeds and the oil of sunflowers would be excluded. I'd like to give you just a little part of the history of CSP and sunflower production in Manitoba.

The history of sunflower production and processing in Canada dates back to the early 1940's when farmers in southern Manitoba began to look seriously at sunflowers as an alternative cash crop to stabilize their farm incomes. I'd like to add here that basically the sunflower production was started in the Mennonite areas and they brought sunflowers over from Russia, when they immigrated from Russia, and they used them as a confectionary, like peanuts, I guess, but they found out later that they could produce an oil out of these seeds so they decided to build a plant.

Faced with a surplus of cereals and a national shortage of edible oils during the war years, there was good reason to consider diversification. But these pioneer sunflower producers had another vision. They wanted to process their new crop as well.

Convinced of the need to generate industrial growth in Western Canada, these enterprising farmers joined forces in 1943 to create Co-op Vegetable Oils Ltd. The new co-operative moved quickly to encourage sunflower seed production and to develop local facilities to process and market crops. A crushing plant was built in Altona, Manitoba with operations commencing in 1946. By the early 1950's, a refinery had been added introducing "Safflow Sunflower Oil" to Canadian consumers.

While emphasis continued to be placed on sunflower seed, plant operations were expanded to include soybean and rapeseed crushing, as well. Within three decades, Co-op Vegetable Oils established itself as a major producer of edible oils and meals. To further develop oilseed production, processing and marketing in Western Canada, Co-op Vegetable Oils joined with two Saskatchewan processing plants in 1975 to form CSP Foods' Ltd. Owned by the 100,000 members of the Manitoba and Saskatchewan Wheat Pools, the new organization provided a much broader production and operating base.

The CSP Foods' Altona plant is unique in that it remains the only facility in Western Canada that crushes sunflower seed. In fact, of the 175,000 tonnes of seeds produced in 1981-82, our plant crushed approximately 75,000 tonnes.

I would like to go on to Page 5, the second paragraph. The increasing popularity of sunflower products is largely due to a growing awareness of the seed's nutritional characteristics. Sunflower seed contains almost every vitamin except vitamin C. It is rich in potassium, a mineral vital to heart function. It contains substantial amounts of phosphorous, calcium and other minerals needed to build strong bones and teeth. Sunflower seed also contains all essential amino acids, so it is a concentrated source of protein.

The oil in sunflower seed is high in easily digested polyunsaturated fatty acids and correspondingly low in saturated fats. This high percentage of polyunsaturated fatty acids accounts for the "premium" quality of sunflower oils and margarines on the market today.

Sunflower meal is desirable in the Canadian feed trade as a protein supplement for livestock and poultry rations. In fact, all the meal currently produced is consumed domestically - some locally and some in Eastern Canadian markets.

To keep pace with increasing market demand for all of these products, while servicing a growing number of sunflower producers, CSP Foods recently doubled its sunflower crushing capacity at Altona from 140 to 280 tonnes per day. The company's new facility at Harrowby, Manitoba has been designed to allow for sunflower processing in the future as the production area spreads north and west. This required a substantial investment made possible, in part, through Industry, Trade and Commerce grants.

While canola has emerged as Canada's primary oilseed crop, sunflower seed production has become increasingly important to prairie farmers. Although still not a major crop in Canada, sunflower production has grown substantially from 1620 hectares (4,000 acres) in 1943 to approximately 121,182 hectares (299,320 acres) in 1981.

Clearly, sunflower production and processing have become increasingly important to the future of our prairie economy. However, the continued strength of these industries is dependent upon the establishment of a fair and equitable freight rate structure both for raw materials and their processed products.

I'd like to go to Page 10 from there. Prior to the Western Transportation Initiatives announced in February, freight policies clearly discriminated against further processing of oilseed products in Western Canada. While statutory rates applied to the movement of the six selected major grains, much higher rates were applied to processed products.

The negative impact of these policies was at least partly recognized in the case of canola oil and meal, which moved at "minimum compensatory" rate levels. Sunflower products, however, faced the full and constantly changing "commercial" rate structure.

Obviously we are pleased that the new transportation policies include the long-sought freight rate parity for canola oil and meal within the Crow region. However, with the continued exclusion of sunflowers from the statutory rate structure, the disparity becomes even more pronounced and discourages continued production and processing of this very promising western crop.

Once again, there is a failure to recognize that sunflower oil and meal competes directly with canola, soybean and other vegetable oil and meal products in both domestic and export markets. If the Federal Government seriously supports agricultural diversification and more value-added processing in the prairie region, the disparity in freight rates for sunflower seed and processed sunflower oil and meal products must be eliminated.

As Figure 2 illustrates, the proposed rate structure does just the opposite. I'd like to read some of these figures at the bottom. The existing rates for cereal grains today is \$3.30 a tonne; canola and flaxseed run at \$3.64; sunflower seeds runs at \$33.73, which is a disparity of \$30.09 a tonne.

Now if you go down to Altona to Vancouver, canola oil presently moves at \$44.97 a tonne. Sunflower oil which is basically the same oil and we consider it a

higher value product runs at \$67.24 a tonne, a disparity of \$22.00 a tonne and we don't know why that should exist at present. But under the new Pepin rate canola oil would run at \$8.05 a tonne and sunflowers would run at \$67.24, creating a disparity of \$59.19. So you can see that under those terms it would become uneconomical to maintain a sunflower industry in Manitoba.

As you can see there's a difference of \$30.09 per tonne between the cost of transporting sunflower seed and the cost of moving canola or flaxseed to export position at Thunder Bay.

Similarly, if the producer elects to grow sunflower seed in contract with a crushing plant to process his crop in Western Canada, his return is reduced because of the high commercial rates on processed sunflower products. As the chart indicates for example, the proposed rate structure compounds this anomaly, increasing the disparity in inland freight rates between canola oil and sunflower oil destined for export at Vancouver, from \$22.00 to \$59.00 per tonne.

As indicated in the covering letter the cost of parity to the Federal Government is insignificant when compared to the overall cost of the Western Transportation Initiative. We estimate the total cost of the period August 1, 1982 to July 31 1983 to be only \$750,000.00 and that's where I'd like to end. There is some more to this brief but I think that basically says it in so many terms so I would like to, if you would, deal with this presentation first and then go onto the next one a little later.

MR. CHAIRMAN: Thank you, Mr. Penner.

Questions from members of the committee? Mr. Uskiw.

HON. S. USKIW: Mr. Penner, what is the answer that you're getting from the Government of Canada with respect to equity of treatment between sunflower oil and canola?

MR. J. PENNER: Well, Mr. Chairman, the question was asked in the House just this last week by our member, Mr. Murta, and that's the only response we received by the way.

The answer was they didn't think that they could include sunflowers under the proposal. The reason for that being, that it would open the doors to too many other commodities that would be raised.

To be quite fair and honest, I wonder whether Mr. Pepin realizes the kind of crop that sunflower is, and that it is almost the same and that the product derived from sunflowers is the same as from canola seed.

HON. S. USKIW: Is it a problem of other regions of Canada growing sunflowers that do not enjoy favourable rates as well, and therefore would be a difficult situation for the government to endorse this under a Western Canadian initiative as opposed to say Ontario, for example?

MR. J. PENNER: It might be but true to the fact that the Federal Government through the Canadian Wheat Board has made at least some indications that they would like to change the cropping procedure in

Saskatchewan, especially southern Saskatchewan where there is a high percentage of summer fallow, we think that sunflowers would have a real possibility there as an alternate crop instead of summer fallow. It would provide a good snow trap in winter and would eventually I think do away with their salinity problems. I think that's been mentioned a few times here today that the decrease in soil fertility and salinity, those kinds of things and I think it would certainly help.

CSP together with SaskPool and the Federal Government has initiated a breeding program in Saskatchewan the last year whereby they're going to be breeding earlier maturing sunflower varieties, and again it should become very complimentary to the cropping procedure in Saskatchewan especially, and in southwestern Manitoba.

HON. S. USKIW: Could you identify any enemies of your proposal? Are there any sectors against whom your proposal would work adversely?

MR. J. PENNER: We haven't heard of any.

HON. S. USKIW: You know of no known opposition?

MR. J. PENNER: I have not heard of any, maybe Mr. Siemans has.

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: No.

HON. S. USKIW: I'd presume then what you're really implying is that there's some ignorance of the situation.

MR. J. PENNER: Well I think why the committee decided to bring this to the attention of Mr. Pepin and this committee here, is that we thought it had probably been overlooked more than anything else, and probably there wasn't an awareness of what kind of a crop sunflowers was.

MR. R. SIEMANS: In the early strategy that was planned in the crushing industry in Western Canada, it was agreed that because we chose to go the legal route in the early '70s and not the political route, that we would remain with the six principal crops that were under the Crow rate, so it never did receive attention from the crushers group. We didn't want to get it mixed up because when you go the legal route I guess it's very important to remain sort of pure in that, so that in fairness even to the federal people and the Minister, it received very little attention. I think partly what Mr. Penner was indicating is that there is a lack of understanding by Mr. Pepin and we hope to correct that. I don't know how difficult that might be, but I think it's mainly now that he just doesn't want to deal with any additional items that are not related to the Crow rate.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. To either Mr. Penner or Mr. Siemans, are you aware of any flaxseed crushing plants on the prairies existing?

MR. CHAIRMAN: Mr. Penner.

MR. J. PENNER: Not to my knowledge, I don't think there are any flaxseed crushing facilities in Western Canada, except that Altona did a sample crusher flaxseed just a few weeks ago.

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: Yes, Mr. Chairman, any canola crushing plant in Western Canada is a flaxseed crushing plant. There's no difference. It's simply a matter of economics. The Altona plant processed flax in 1947-48 when there was a margin and the Federal Government set the prices and so on, so there was a margin on that. So as early as that, we processed flax. So it's just a matter of economics. We really have flaxseed crushing plants right through Western Canada.

MR. D. ORCHARD: Well then, I find it being an anomaly where there's no active flaxseed crushed that linseed oil and lin cake would be included in the proposal and where there's an active crushing industry such as sunflowers there wouldn't be, but possibly you've given me the answer as to why that is, that theoretically every canola crushing plant is really a dual purpose plant, that may be. But otherwise I think I would concur with the answers you've given to the Minister that exclusion of the sunflower crush and oil and meal movement is simply maybe an oversight rather than a deliberate attempt to exclude the industry.

MR. J. PENNER: Mr. Chairman, we would hope that this committee could probably bring that to the attention of the Minister probably more forcefully than we as an advisory committee could.

HON. S. USKIW: Yes, your answer to Mr. Orchard intrigues me somewhat. Why is it that you're not crushing flax?

MR. R. SIEMANS: The economics of crushing flax has not been such that . . . we've been checking into this. Particularly over the last number of years, there have been resolutions from Manitoba Pool Elevator Annual Meeting by delegates and local resolutions. So from time to time over the last two to three years, our marketing people in Winnipeg have been asked to look into it and until very recently, a little better than a year ago, we certainly were experiencing reasonable margins on canola. There wasn't any margin ready to be experienced in flaxseed. Just to give you an indication of the average crush of flax of the last five years in all of Canada, all of it's been crushed except for the little bit we crush, all of it's been crushed in eastern Canada by one plant, I believe just one plant. The average crush over the last five years has been 60,000 tonnes. Now, our plant at Altona is projecting 120,000 tonne crush total for this coming year, that's a very, very low crush and our management people are very concerned about the cost of operation at that level. That gives you an idea of the total crush in Canada and it's for economic reasons; it's not because there wasn't enough flax produced or that there weren't eastern interests interested in it, the economics simply weren't right.

HON. S. USKIW: Are you implying that Manitoba doesn't produce enough flax to warrant a new crushing plant?

MR. R. SIEMANS: Yes, Manitoba, as you know, is the largest flax producer in Western Canada. Certainly it produces enough flax, but the economics of processing it and marketing it aren't there; the margins aren't there.

HON. S. USKIW: I'm trying to understand why it makes sense to grow it in Manitoba, ship it to Eastern Canada, have it crushed there - if it doesn't make sense to crush it here.

MR. R. SIEMANS: It's that 60,000 tonnes is a very small amount in terms of a crushing plant. Part of this answer would be that the flax that was moved to the United States by trucks or otherwise has to do with the American program of drawbacks. They can collect back money under their own federal policy of the products that they process in the United States and export, so that has been somewhat of an advantage for American, for example, Cargill Grain, to be in crushing flaxseed an advantage that we did not have in Canada.

Further to that, I think, it has a lot to do with the tremendous variation in the demand, particularly because it's used only for industrial uses. There have been substitutes coming along, so that if they were looking whenever it was a little cheaper to use linseed oil, they might use it, and as soon as the price was out of line there wasn't anything stable at all in that market.

HON. S. USKIW: You're suggesting to me then, Mr. Siemans, that it wouldn't be a prudent investment under any circumstances for anyone to set up a flaxseed crushing plant in Manitoba?

MR. R. SIEMANS: Certainly it wouldn't, unless they could get the money from the government and the government didn't charge any interest on it. The present state of the crushing industry in Canada is - and this is a fact you can check it out where you like - that we are in 60 percent overcapacity in the canola crushing industry in all of Canada. Most of that overcapacity is in Western Canada and we're trying to live with that, with quite a bit of that excess capacity presently being in Manitoba with the new plant that we built at Harrowby, that CSB Foods built.

I, for the life of me, can't see why anyone would want to invest in a flaxseed crushing plant whether as a private individual - of course, it's his right to do so - or anybody else.

HON. S. USKIW: Well, I'm intrigued by that because I'm led to believe that there is a price spread of some 95 cents a bushel on flax that is shipped out of here because of the lack of a local facility to use it here or to crush it here. That's a price spread that is unwarranted in the market and that spread alone could finance a plant. I'm led to believe that. Now you tell me that we don't need a new plant, you could crush it. If that were so, why couldn't we recapture that 95 cents a bushel that is being lost somewhere?

MR. R. SIEMENS: Just to give you the figure per bushel that we would be quite pleased with in the canola crushing, and it's a 50-pound bushel. If we can get 60 cents a bushel, then we're not suffering all that much. We've processed in the last month, 500 tonnes at the Altona plant. We finally moved that oil the other day and our losses on that are as great or greater than our losses presently are on processing the canola. Our marketing people have not found the place to sell it to have a return of 95 cents a bushel.

HON. S. USKIW: Let me then pursue it from another direction. If you had a known market, is there legitimacy to the argument that is being put that the Manitoba flaxseed growers are losing a fair amount of money on the pricing of it because of their dependency on the market they are now using and the system of marketing they are using?

MR. R. SIEMENS: I'd have to know where this known market is. There was a group that went into northern Alberta some years ago from Germany and promoted a canola crushing plant at Sexsmith, told these people that they knew of a market with good margins. The Alberta Government invested money into that plant and they have never stopped investing money, not just in capital but in operating costs. If it's a similar type of group that now says, we know there's a market and that the farmers of Manitoba are missing out on 95 percent, of course, there would have to be a co-operative in order to recapture part of the 95 cents a bushel. But, let that be as it may, we would very much like to know where that guaranteed market is.

The Altona plant is a dual-line; it's a unique plant in that way. We have a sunflower line which only operates now eight or nine days a month. We'd be very interested in filling in with flaxseed, if there is a margin in processing flaxseed. We will continue to look into that market and if we find there is a margin even less of a loss than we are experiencing on canola, I can assure you we will be processing all the flax that we can buy and be marketing the products of it.

HON. S. USKIW: From a technological aspect, are you saying that your plant can produce a quality product, that it is not sort of a by-product item that you would utilize the plant for, that wouldn't be producing a top-price commodity as a finished processed product? Your plant has no encumbrances to a new plant that would be built specifically for flax crushing.

MR. R. SIEMENS: No, the only two minor areas that we have - they're really insignificant - that's simply in the cleaning of the flax because we're set up to clean canola and rapeseed, which is really nothing. The other one is that if we were into it on a more regular basis, is some more tanks because linseed oil is a non-edible oil and we have to separate it. So we have a little higher cost in terms of cleaning up. The equipment is the same people that sell equipment for canola plants, whether it is out of the United States or out of Western Germany. Those are the two main countries that sell this equipment, and Britain sells the equipment for flax plants.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman to Mr. Penner, if the sunflower product were included in the present Pepin plan, could you accept the plan as it is being presented now?

MR. CHAIRMAN: Mr. Penner.

MR. J. PENNER: Mr. Chairman, I would personally make major changes to that plan . . . There are certain items in the Pepin proposal that I certainly cannot live with as a producer. In this other brief, I am going to be dealing with that a little more specifically.

MR. J. DOWNEY: Back to getting support for the inclusion of sunflower in at least the negotiations or to get the Federal Government to consider - maybe I missed this in Mr. Siemans' comments when he started talking politics or legal - I think he's now talking in the political arena when he goes to Ottawa. I understood, in his last submission, that he's going to Ottawa next week. Is that correct?

MR. R. SIEMANS: It's political, yes.

MR. J. DOWNEY: What jurisdictions have you contacted to get support, for example, Alberta Wheat Pool, Saskatchewan Wheat Pool, or the other jurisdictions that have been negotiating, because Provincial Governments to this point haven't been invited to negotiate? As you are aware, it's been strictly Farm Bureau and direct to the farmers.

MR. J. PENNER: The initial approach that we made was directly to Mr. Pepin; to our Member of Parliament, Mr. Murdock; and to the Provincial Government, Mr. Uruski and Mr. Uskiw. Those were the initial approaches that we made. Today, we're here; next week, we'll be in Ottawa personally, so that's really the route we've taken.

There is only one other province besides Manitoba, we think, that would be really interested right now in sunflowers and that would be Saskatchewan, because they have made some moves now into convincing some people that it is a viable crop to grow in Saskatchewan, but we haven't made those approaches.

MR. J. DOWNEY: So I understand it correctly then. You have made a submission to the Manitoba Government to put a submission forward on your behalf or to support your request, I guess, is the best way to put it. Have you had any response from the Manitoba Government in that regard, or has there been a submission made to your knowledge at this point?

MR. J. PENNER: The only response that we've had from the provincial people is that they have received the brief.

MR. J. DOWNEY: As you have indicated and asked this committee to make presentation, I just would wonder what further this committee could do to further support you other than - whether it be a written documentation from the legislative committee as well as the government, or a trip to Ottawa, representatives of this committee to help put your case forward - those

are the kinds of ideas that I am looking for. How best do you see us as further supporting it?

MR. J. PENNER: Mr. Chairman, I would suggest that it was suggested here once before how to deal with it, and that would be by unanimous consent of this committee and by recommendation of this committee to the Minister. That would carry a lot of weight; I would think at least would help to include some parts.

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: I think basically what this asks for is to receive equitable treatment as compared to canola. I think as far as the Provincial Government is concerned, they received the copies as information, in fairness. The Minister has received those copies and it didn't go beyond that, I don't think.

MR. CHAIRMAN: Thank you, Mr. Siemans.
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, Mr. Manness will give his line back, and then I'll ask after him.

MR. CHAIRMAN: Oh you've switched back again?
Mr. Manness.

MR. C. MANNES: Gentlemen, how do you differentiate between sunflowers and a special crop such as field peas? I just perused some of the production statistics and I see where field peas over the last five years have in total acres measured some one-third to one-half the total acres of sunflowers. Certainly, the investment into specialized processing equipment is required. There is a screenings by-product, of course, that finds its way into livestock feeding. For a whole host of reasons, I don't see an awful lot of difference. How do you differentiate between the two?

MR. CHAIRMAN: Mr. Penner.

MR. J. PENNER: Because, Mr. Chairman, I think the biggest reason that sunflowers should receive special consideration is because you produce a vegetable cooking oil that competes directly with canola oil and is a better product really than any other oil that there is on the market. It's a very specialized product and it's used as a health food product. Therefore, it demands a special market all its own.

When you charge freight rates on a product that is produced from any given crop that is identical to any other product that you produce and have to pay 5 or 6 or maybe even 10 times the freight rate on it than you do on the other oilseed, then you wonder why that has to happen. At least, we do; we're not quite clear. So that's why we think it needs the same kind of treatment as far as the oilseed.

Maybe I didn't say this before, but meal isn't included under the rate. It's even included under the Crow, sunflower meal.

MR. CHAIRMAN: Is now included?

MR. J. PENNER: It is now included on the Crow rate.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Chairman, I can accept that argument. Certainly the criteria then seems to be one of edible oils. Then, I would ask, when you're lobbying or when your group is lobbying for the inclusion of sunflowers, why it would not also be a little bit more forward-looking and include soybeans, certainly as a futuristic crop hopefully in southern Manitoba? Why would it not also include that emerging special crop?

MR. J. PENNER: I think the basic reason why we haven't included soybeans in our request now is that we wanted to be very specific. We didn't want to get this whole special crops situation. I think we wanted to avoid what Mr. Pepin was telling us, that he didn't want to include numerous crops under that, or he didn't want to open the door for sunflowers to travel under the rate and then that way open the door for many of the other special crops to be included. I think that's what we were afraid of.

MR. R. SIEMANS: I think, in addition to that, we had to also deal with proven crops. Much as farmers in southern Manitoba would like to grow soybeans and the Altona plant processes most of those soybeans or a lot of those soybeans, we know that the protein content is substantially below the American soybeans and the oil content as well. So that we can't really, in terms of acres or in terms of the plant breeding that's gone on, treat soybeans for Manitoba as a proven crop. It would be more difficult to make the case for that than for sunflowers.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: My final comment - the witnesses may choose to comment upon it - is that certainly there is a large number of farmers, of course, that see some economic benefit in growing soya beans and until they're totally convinced that there's no potential, they will not write that crop off, so I guess I'm a little disappointed that I don't see you also pushing that particular crop. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Penner.

MR. J. PENNER: I'd just like to make the comment that we are one of those farmers, at least we on our farm are going to try soya beans this year. We're going to try and grow them, but we're not quite convinced that they will be that kind of a crop. We're going to give them three years on our farm and try to improve that crop and then after, if we do think that we can grow them economically, we'll ask for them to be included under the new rate.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. A couple of questions for Mr. Siemans. Does the 60,000 tonne crush of flax seed in Eastern Canada supply the entire Canadian market or only a portion of it, or is some of that even for export?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: I'm not certain about that. I haven't checked that, but I would expect that it certainly takes care of the Canadian market. I'm not aware of Canada importing linseed oil.

MR. D. ORCHARD: You mentioned that you ran a crush on flax seed. Where are you marketing that crush? Is it domestically?

MR. R. SIEMANS: Yes, we've only marketed the oil and we sold that into eastern Canada. I haven't checked what company.

MR. D. ORCHARD: I take it then that you don't necessarily have a European market connection for either linseed oil or linseed meal?

MR. R. SIEMANS: No, as I indicated, we have a marketing office in Winnipeg that are specialists in marketing vegetable oils, and I take it that they have thoroughly checked out the linseed oil market. It obviously will take a bit of time to become familiar with it, or as familiar as the canola oil market. The price, I think, is what was the clearest indication as to what the immediate future looked like in that.

MR. D. ORCHARD: Mr. Chairman, I think these two gentlemen have made a fairly persuasive case for the sunflower industry of Manitoba and I think it is quite possibly an oversight more than anything that sunflowers were not included in the Western Transportation Initiative and I would like to propose a motion to the committee.

I move, seconded by the Member for Arthur that this committee do urge the Federal Government to include sunflower oil and meal in the commodities included under the Western Transportation Initiative or any resulting initiative and that this motion be communicated immediately to the Federal Minister of Transportation.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Mr. Chairman, I think that's an extraordinary procedure. I think what we have here is a hearing of a couple of briefs on the issue and the committee will have to analyze these briefs and then report to the House, after which a direction will be given. I don't think we're in a position to deal ad hoc with any particular submission that we receive in this fashion. I think it has to be processed in the normal way. I think that this would be the right . . . We appreciate the need for it, but I don't think this is the proper procedure.

MR. CHAIRMAN: Mr. Orchard, to a point of order

MR. D. ORCHARD: Mr. Chairman, you'll note I was very careful in not stepping on the terms of reference of this committee where I indicated that it be included that they include sunflower oil and meal in the commodities included under the Western Transportation Initiative or any resulting initiative, assuming there may be modifications as a result of an overall report by this committee. All I'm asking by this motion is that we

concur as a standing agricultural committee in the Province of Manitoba with the inclusion of sunflower oil and meal in the commodity groups which are part of the Western Transportation Initiative.

MR. CHAIRMAN: Anyone else wish to speak to the point of order that's been raised? Mr. Uruski.

HON. B. URUSKI: Mr. Chairman, as I understand the workings of committees, those kinds of findings and recommendations will be part and parcel of a package that the committee will report on in terms of its deliberations and its report to the Legislature. To begin and now going through various points and putting motions on each one as they arise is really not a mandate of a committee, nor should we begin making any committee work in that way. We receive all the representations that are there and in the final deliberations of the report those items that are brought forward will be put and a decision by the committee will then be made as to what items appear in the report.

MR. CHAIRMAN: Further comments on the point of order? Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, I think one of the reasons we're to put our thoughts forward as a committee, and should be done as the member has indicated through his motion, is that we don't know how fast the Federal Government are going to be proceeding with their legislation - it could be tabled any day. I think there is an urgency to get that message from this committee to that Minister who is responsible for it and that would be the most expedient way of doing it, I would say. And as the witnesses have indicated, Mr. Chairman, that is the purpose for the trip to Ottawa next week, to take that message to them and if we had a formal resolution coming out of this committee hearing tonight, I think it would give them the kind of ammunition they would need.

MR. CHAIRMAN: Gentlemen, Mr. Orchard makes an argument that the witnesses have made a persuasive case. I don't think there is any question about that, I think all members acknowledge that. Mr. Orchard also says that this is within the terms of reference of the committee, I agree with him, it certainly is within the terms of reference of the committee. It's part of our mandate and it certainly would have a place in our report.

However, the purpose of the meeting today is to hear representations. Mr. Orchard, if he wishes to give the committee notice at this time, that he wishes to move that motion as soon as the committee is convened in its meeting expressly for the purpose of considering its report to the Assembly could do that. But if I were to allow at this time a motion on a specific item, I would then have to allow other motions on other items and the gentlemen who are still waiting to present their cases to the committee might well be waiting for several weeks, while we debate the various motions, pro and con. For that reason, reluctantly, but strictly in accordance with our committee practice, I have to rule the motion out of order.

Mr. Orchard, further questions for the witnesses?

MR. D. ORCHARD: Well, Mr. Chairman, I don't want to get into a procedural wrangle with you this evening because I respect your office, but I don't think there is any disagreement amongst the members of this committee that the case, No. 1, is justified; No. 2, is of some urgency, and I would accept your advice, Mr. Chairman, should we know that on Friday of this week, for instance, we were reconvening this committee to commence writing of the report, but we have not set a meeting date for the Agricultural Committee to consider the briefs and the presentations by witnesses who have been so kind to give us their advice on this committee and it is in that background that I made the motion this evening.

At this stage of the game, I shall not challenge your ruling, Mr. Chairman, but I believe that we've got a matter here that is, as you say, within the mandate of the committee; it is of urgency to an industry in Manitoba; it reflects upon growers in Manitoba; farmers of Manitoba with whom we are meeting and consulting on issues relating to the Crow rate and once again I reiterate, Mr. Chairman, that I did not negate the thrust of the resolution because I did add in, "for any resulting initiative." I simply want consideration by the Federal Government of the Province of Manitoba's, the Government of Manitoba's support of the position of the sunflower crushing industry and I think my motion should therefore not be ruled out of order.

MR. CHAIRMAN: Mr. Orchard, I did not rule your motion out of order because I didn't want to confront the committee with that kind of situation. I suggested that you hold your motion and move it again at the meeting of the committee which is going to be called for purposes of considering and writing the committee's report for immediate forwarding to the Legislature. If you wish to make the point that that meeting should be held as soon as possible because of the urgency involved, I think other members have made that point, there is some urgency.

I have to tell you that I would have great difficulty if you decided to pursue the matter, with not ruling it out of order, in terms of the precedence we've established in dividing our committee meetings between those that are for purposes of hearing public representation and those that are for purposes of writing reports.

A motion dealing with a procedural matter or motions dealing with who we should be in order at any time, but to begin writing the report which is in effect what your motion suggests, gives me some problem and I would appreciate it if you would consider holding it until that time.

Further questions? Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, with a great deal of reluctance I shall abide by your hearing and hope that we meet shortly.

MR. CHAIRMAN: Thank you, Mr. Orchard. Further questions for Mr. Penner or Mr. Siemans? Seeing none, gentlemen . . .

Mr. Uruski.

HON. B. URUSKI: I have one or two questions. The issue that's been raised dealing with the crushing of

flaxseed and the processing of flax, as I understand it from you, there is ample capacity in Western Canada for any crushing. What doesn't exist, as I understand it, is the availability of markets which, combined with price, bring back a return which makes crushing a viable operation.

Does CSP, in doing some of the preliminary work that they have done in attempting, you said quite a few years ago and now this year again in the crushing, how wide is the market for linseed or how broad? Have you done any analysis in terms of the use of linseed oil in this country, in Europe, in Asia, or Africa, or around the world? What knowledge would you have of consumption of the oil in terms of the difficulties that you have faced by doing the crushing that you've done?

MR. CHAIRMAN: Mr. Siemans.

MR. R. SIEMANS: I haven't seen an end-up study of it and I think it's fair to say that two years ago when our people were pressed by way of resolutions from farm meetings to look at this, and when at the same time our margins on processing canola were very attractive, that the type of study that was done then, no doubt, was somewhat different than the kind of a study that would be done now.

But I can assure you, with the total lack of margins that we've been experiencing for the last 12 months in processing canola, the way that is being approached - the study on the flax, the linseed oil, and linseed meal by our marketing people - is substantially different than it would have been a year or two years ago, because particularly the Altona Plant has a history of being quite pragmatic in terms of staying in business.

It, for years, even though we as owners weren't all that pleased with it, but processed up to 75 and 80 percent American soya beans - and it's not something that we liked - until we got rapeseed oil and meal it more accepted into the Canadian market and so on.

There isn't any question because of it being a two-line plant - and it's the only one that I know of in Canada - that we can best handle flaxseed at the Altona plant, of any of the plants that CSP owns or that anybody else owns in Western Canada, that the Altona plant is well suited to it because of it having the double line - the 280 tonne sunflower line that Mr. Penner referred to in the brief plus the substantially larger canola line - that it is a plant that can best have arrangements made to it like the tankage to keep the oil separate and so on. But I can assure you that we'd be looking the best way that we could look at finding markets for linseed oil and to see if there are any margins in that, and as I indicated earlier there need only be \$10 or \$15 a tonne higher than canola and we'd certainly be processing flaxseed, there isn't any question.

I mean, the situation and the company is that desperate that we are again becoming quite pragmatic. We may, if things don't improve, and if soya bean margins improve, we may even have to process American soya beans again, and before we would go out of business I can assure you we would do that. But before that we would certainly like to process flaxseed, Canadian domestic, because we are committed to processing domestic produced products if at all possible.

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

Mr. Penner.

MR. J. PENNER: Mr. Chairman, just one more comment to Mr. Uruski's question.

I would like to suggest to Mr. Uruski that the Advisory Committee, or the Manitoba Advisory Committee as it is called now, has made continuous representation to board and also to management, to see whether it wouldn't be feasible to crush flax, and therefore studies have been done as an ongoing thing to see how flax could be run at that plant.

MR. CHAIRMAN: Are there any further questions for Mr. Penner on the CSP Brief? Seeing none, Mr. Penner.

Oh, Mr. Siemans.

MR. R. SIEMANS: On this flax, I know it's fairly topical but we get asked the question by our own members, even by committee members. How come CSP decided to process some flax this winter?

I can assure you that if the canola margins had stayed where they were two years ago, and that had gone along quite well, that whoever else was interested and could see a margin in flaxseed processing, it would have been left to any other party.

But the main reason we did it is because we're just not experiencing any kind of margins at all in canola, and that would be the prime reason why we processed flaxseed, to see whether there isn't some way of getting into that and that is really the main reason if, and I want this very clear, we'd heard about other interest, you know, a year or two ago. It is not simply because of that; it is because CSP has to look for products to process to see how it can stay alive.

MR. CHAIRMAN: Further questions?

Hearing none, Mr. Penner, would you like to proceed with your second brief?

MR. J. PENNER: Yes. Thank you, Mr. Chairman, the committee members, for giving us the time to hear us with regard to sunflowers.

However, now I'd like to change hats and put on my Rhineland Agricultural Society hat. This brief is being presented to you on behalf of the Agricultural Society at Altona, and also the Altona Farm Business Association, and the Young Farmers Club of the Red River Valley.

There were some questions before as to how many members these organizations had. The Agricultural Society right now has about 140 members; the Farm Business Association has 28 members; and the Young Farmers Club has I think around 160 members, if I'm right, it might be stated here, but there's around 160 members there. All of these clubs and associations are very concerned about agriculture and have taken time to voice their concerns on freight rates. I'd like to move to Page 3 where the brief starts and I'd like to read the brief to you, and I should say that this brief deals with special crops as the question was asked before.

The production of special crops has been one of the real success stories that has contributed to the prosperity of southern Manitoba. Examples of the extent

of the influence of special crops in Manitoba can be seen in the following table illustrating the area and value of special crops for the year 1981. Those are the last statistics that we could come up with, 1981.

Source, 1981 Yearbook, Manitoba Agriculture. Crops raised: Grain Corn, 91,000 hectares; Field Peas, 40,500 hectares; Buckwheat, 50,000 hectares; Sunflowers, 109,300 hectares; Other Special Crops, 40,900 hectares. The values of those crops are listed in the far corner; the total is \$133,900,000 in total value, of these crops.

This represents approximately 8.3 percent of total crop land in Manitoba and 8.5 percent of gross farm income in the Province of Manitoba.

The infrastructure for marketing service and processing facilities that service this production will add greatly to the value of this activity to Manitoba's economy.

We have been unable to, accurately, define how much of this production is restricted to Southern Manitoba. One would suspect that a minimum of 80 percent of the benefits would accrue in the Pembina Triangle, where climate and soil conditions are ideal for special crops.

There are various reasons why southern Manitoba producers have taken advantage of growing special crops. The main reasons, we feel, have been that special crops can aid the producer's cash flow and are often more valuable than cereal production. If anything were to alter the advantages of special crops in relation to other crops, this situation would naturally change. Upon examining the new freight rate proposals the joint committee - and when I talk about the joint committee here it's the three committees that were mentioned previously - foresees that these changes could be detrimental to this area of agricultural production.

2. Impact of Present Freight Rate Policy on the Future of Special Crop Production, Marketing and Processing in Manitoba: Under the existing freight-rate structure the six Board grains move under statutory freight rates and special crops must pay a commercial rate that the railways set.

Because of this system, the railways have given special crops better service than the six Board grains that move under the Crow rate. This situation has cost the western grain producer millions of dollars and lost sales of cereal grains. However, it has been a boom to special crop production. Under the proposed changes, the railways will be able to profit from handling the Board grains. Once this occurs and the necessary improvements to grain transportation arrive, the status of special crops will be diminished. In addition, the committee foresees that the railways will set freight rates for special crops handling that will make them less and less competitive, since their movement will be relatively unimportant given the new profitability on moving Board grains. This situation has been very forcefully depicted by the CSP Advisory Committee's Brief, examining the effect of the changes on sunflower seed production and processing. The cost of sunflower seed and oil will rise relative to rapeseed and flaxseed products. This spells the end to sunflower production in Western Canada. It may be said that sunflowers are a special example, since they compete directly with other oilseeds. This may be true. But in the competitive world of food production, there is an infinite variety of substitute products. Protein from peas can be

interchanged with protein from wheat. This is equally true of edible beans, triticale, lentils, etc.

The opinion of our committee is that the result of the proposed freight changes will be that special crop production in Manitoba will be seriously curtailed. The impact to Manitoba producers, processors and special crops marketing firms will be of considerable loss to Manitoba.

3. Recommendations and Conclusions: In the summer of 1982 a method of freight-rate change was proposed by the Minister of the Canadian Wheat Board, the Honourable Hazen Argue. The proposal envisions seven major concepts:

- (1) Payment directly to railways.
- (2) All crops and related by-products would be included.
- (3) No variable rates.
- (4) Producer's share of freight rates would initially double the Crow rate, and would increase to 50 percent of the total cost of transporting grain by 1990-91.
- (5) Beyond 1991 the producer would share 50 percent of inflationary increases.
- (6) No upper limit in the amount of grain qualifying.
- (7) The rate at all times would be subject to an upper limit equal to a percentage of the weighted average price of the six major grains.

Upon examining this proposal, we feel that our concern for special crops would be solved by adopting these principles. Some parts could be negotiable, but we contend that Parts 2, 6 and 7 are absolutely essential to western agriculture.

The following data illustrates the relative net freight cost for the average producer under the two plans and we have used a 12-percent figure in equating the Argue proposal and I hear today that there are some people who use the 7-percent figure, some use the 8-percent figure and we would be open to negotiation on that one - we would gladly drop our percentage on that, but the reason why we used the 12-percent figure was to arrive at a consensus, or I should say, at a figure where we could figure out what kind of percentage you would have to use to sort of equal the freight rates at the 1990 level. So, therefore we arrived at that 12 percent figure.

Average increases of 12 percent per year until 50 percent of the total cost is reached.

The actual number will vary according to region, and whether or not the weighted average price is below the cost of freight rates and I don't know whether that percent should be there, maybe we should excuse that sentence. Our secretary wrote that in there and I'm not quite sure why. After 1991, the producer would share in 50 percent of the inflationary costs.

We feel the advantages of this proposal far outweigh the disadvantages. Certainly, the government would be risking more, but they would also be in a position to benefit from a stable, diversified and potentially more profitable western agricultural economy. We also feel that if the government is truly serious about achieving a consensus for change among western producers, this proposal stands a far better chance than the alternative now proposed by the Minister of Transport.

In conclusion, this committee again reiterates its belief that the present freight-rate structure should be

changed within the near future. The present proposal is, however, unacceptable to us, and to the vast majority of the Western Canadian producers.

In light of these realities, we feel that the Federal Government should take a second look at this proposal.

We hope that your committee would bring these concerns and proposals to the attention of the federal representatives.

MR. CHAIRMAN: Mr. Penner, thank you very much for your presentation. Questions from members of the committee?

Mr. Orchard.

MR. D. ORCHARD: Mr. Penner, your concern in this brief is that as the railroads are compensated for statutory grains, that they will de-emphasize the movement of special crops, hence they won't be as attractive an alternative. In other words, are you saying that change in the freight rate will speed the movement of wheat, oats, barley, rapeseed, flaxseed, to such an extent that the cropping option of special crops, which was forced because the markets were not there for our statutory grains, the change will speed the movement so that special crops will drop out of the cropping spectrum?

MR. J. PENNER: Mr. Chairman, I think the answer to that would be that the only reason farmers in Southern Manitoba got into raising some of these special crops - and they're a lot harder to raise than most other crops, than wheat, oats or barley, we know that on our farm - the only reason they got into raising those kinds of crops is, first of all, that they have an environment that they can do so. Secondly, that they had huge surpluses of board grains let's say on their farms and had to have an alternative crop to produce and sell on their farms in order to maintain a viable farming operation. I think that's the reason why farmers got into it.

If board grains should move and not be in a surplus position almost every year, I think you would see a lot of farmers go back to straight wheat, oats and barley, if that were the case.

MR. D. ORCHARD: Okay, then your concern is the change will make the system so good for farmers that they'll drop the special crop operations and that's a view that's quite contrary to that held by other members that are near and dear to us all.

Now, I'd like to follow up on one other question to you. On your Page 7, you have indicated that under the Pepin proposal freight rates would be certain dollar value and under the Argue proposal, another set of values. Now, just a rough calculation. Has the freight rates under your proposal, being \$5.50 a tonne roughly more in crop year 1983-84 up to 1987-88, where they're only about 50 cents a tonne more - or 30 cents I guess that should be and then your trade off is for less at future dates - my question is - have you taken any present value tables to work on those extra payments now to see what the trade off is for the following years, 1988-89 and on?

MR. J. PENNER: I'm not quite sure I understand.

MR. D. ORCHARD: Well, you're paying double the rate in 1983-84, just about exactly double the rate in 1983-84, and you're going to have another \$5.50 per tonne invested in transporting that grain to market under your proposal versus the Pepin proposal. Obviously that has a present value five years hence, which would change your figures considerably for the last three years on your chart. I think you'd be - at least for the number of years you've dealt with here - you would be many dollars out of pocket with your proposal compared to the Pepin proposal, even in actual dollars, let alone present valuing those dollars.

MR. J. PENNER: Mr. Chairman, what we did was we took Pepin's proposal as 1984 and that's at \$5.48, right? That's basically what Pepin's proposal will be.

MR. D. ORCHARD: Well, I think that's a prairie average. That isn't in Manitoba, but nevertheless we won't go into that.

MR. J. PENNER: That's the average that we used and we were saying here that we had used averages. We doubled that. We said Argue's proposal was going to be double the freight rate the first year - \$10.96 is exactly double of \$5.48 - so we doubled that. From there on we took 12 percent to arrive at a figure that we would come close to equalling in 1990, of the Pepin proposal.

But if you project forward the Pepin proposal under those same percentages that's being used now and keep working that forward, by the year 2000 you will be paying roughly \$1.28 a bushel for shipping wheat out of Manitoba or out of the prairies, very closely anyway. What we're saying is that \$21.33 in the year 1990-91 is cheaper by \$4 a tonne than \$25.03. If you work that same 50 percent ceiling forward to the year 2000, in the next 10 years it would be much cheaper shipping commodities than it would be under the Pepin proposal.

Another thing that the Argue proposal did and that our proposal does, is include all crops and processed goods, value-added at a processing out of Western Canada, which the Pepin proposal does not do.

MR. D. ORCHARD: Just one final question. It would be interesting to see the projection to year 2000, as you've indicated, under both Pepin and the Argue proposals, because certainly for the eight crop years that you've outlined in your brief, the farm community is going to be paying more actual dollars under yours. In present-valuing that, it would be considerably more dollars and, of course, without the knowledge of having that last 10 years projected, it would be a little more difficult to make a decision and that's my only comment.

MR. J. PENNER: Mr. Chairman, I'd just like to go back to that first comment you made, that things would be so good on the prairies with shipping all the grain out that there would be an advantage to growing wheat, oats and barley. I believe politicians when they tell us things and Mr. Pepin is telling us that under his proposal they'll get rid of all the grain and I guess I'm a true believer in politicians.

HON. S. USKIW: Well, I don't know if I should take that to heart or not. Yes, in your numbers there, 1983-

84, you have the Argue proposal at \$10.96 a tonne. It actually should be \$9.78, should it not? Two times Crow is \$9.78.

MR. J. PENNER: For argument's sake, we took Pepin's proposal for 1984 and doubled that.

HON. S. USKIW: Oh, I see. You didn't use the current base.

MR. J. PENNER: We didn't use the current base. We used, for argument's sake, then worked forward from that.

HON. S. USKIW: I see, okay.

MR. J. PENNER: The Argue proposal would be less if we would have done that. By 1990 it would have been considerably less, taking the 12 percent and then if you work that down to 7 percent, there would be a considerable advantage to this proposal.

HON. S. USKIW: I see a bit of a quandary for your particular part of the province here. You seem to like the Pepin package because of what it will do for canola and other commodities that have not had the Crow benefit to date, yet you argue that by adopting it, it will detract from your special crops production. I'm not sure what side of the ledger you want to be on here. They're both going in opposite directions, quite frankly. They appear to be going in opposite directions, these two concerns.

MR. J. PENNER: Mr. Chairman, I don't think they're going in opposite directions at all. We're just using different formulas. We're saying that under our proposal all special crops, all crops, and value-added production would be under this proposal and it would give an advantage to all special crops, all value-added production, including canola, flaxseed and whatever.

HON. S. USKIW: What you're asking for is a broadening of the package.

MR. J. PENNER: Certainly.

HON. S. USKIW: That's right. But if it weren't broadened, then you're making the argument that the Pepin package would be adverse to special crops. On the one hand you're saying it'll help you in some areas here, especially with the oil and so on. On the other hand, you're saying it'll detract from special crops production unless they're included.

MR. J. PENNER: You see, we're saying in our brief, Mr. Chairman, that if you're going to tie the freight rate to the value of the commodity haul - this is basically what you're getting at when you're running this kind of a system - then we feel that there are no advantages, one to the other, that the advantages are equal to whatever crop you want to haul or whatever commodity you want to haul.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Does this not get you into a difficult situation with the Government of Canada in that they may claim that other regions of Canada may feel that too much is being given away as a concession on freight rates to Western Canadian agricultural production?

MR. J. PENNER: We don't feel that. We feel that if the Federal Government is serious about . . .

HON. S. USKIW: About diversity.

MR. J. PENNER: . . . about diversity in Western Canada, then they almost have to accept this, and that's where it's at. We feel that the only way we are going to diversify western agricultural production is by secondary industry. This will lend itself to secondary industry.

HON. S. USKIW: So your argument then would be that you agree with their thrust, excepting they aren't providing enough opportunity with the direction that they want. You are saying that what you're proposing will fulfill what they want, if they mean what they say.

MR. J. PENNER: Mr. Chairman, if Mr. Axworthy means what he says and Mr. Pepin or Mr. Argue, I would suggest, means what he says, then certainly that would happen.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Thank you, Mr. Chairman. Mr. Penner, I'm trying to understand the rationale that you use to support your argument at the bottom of Page 4, because you say, if you were supporting the Argue proposal, in Point 2, that all crops or related by-products would be included. Therefore, I assume that, in effect, all crops grown in southern Manitoba or on the prairies would be treated the same. Yet, you say on the bottom of Page 4 that that's what concerns you, because they will be relatively unimportant. Indeed, what you seem to be saying is that they will lose their competitiveness for top priority, because they will be offering the same rate of transportation.

MR. J. PENNER: Mr. Chairman, only under the Pepin proposal would - the bottom of Page 4? Only under the Pepin proposal would we lose out in the special-crops area, because special crops would not be included under the new rates. It would only be the six Board crops.

MR. C. MANNESS: But the reason you say they would lose out is because cereals would begin to receive full attention for movement. What would be the difference in moving to the Argue proposal where indeed all products would be treated the same?

MR. J. PENNER: Because special crops would receive the same treatment under the Argue proposal that the grains would.

MR. C. MANNESS: That's what I'm saying.

MR. J. PENNER: So there would be no differentiation in freight rates.

MR. C. MANNESS: Agreed. Why do they receive priority then?

MR. J. PENNER: Then they wouldn't. I'm sorry, then they would not receive special treatment. Under the Pepin proposal, special crops are not included.

MR. C. MANNESS: We'll have to get together afterwards, and you'll have to make me understand that.

Why did the Argue proposal go nowhere? Why did it receive absolutely no support? I can buy a lot of the items under it too, but why did it receive no support in a generalized way?

MR. J. PENNER: Mr. Chairman, I think some people know that in government, once a Minister presents a paper, another Minister will not present a paper contradicting that proposal. So, therefore, Mr. Argue's proposal was never put on paper. Is that right?

MR. C. MANNESS: Why . . .

MR. J. PENNER: So that's why it didn't receive consideration.

MR. C. MANNESS: But why was he not encouraged to put it onto paper? I mean, how come some western interests did not encourage him to take it a step further?

MR. J. PENNER: I am not quite sure why that hasn't been pursued by the major farm organizations in Western Canada, especially the one tying the freight rate to the price of the commodity haul. If that had been pursued, I don't think we would have ever had to worry about the acreage payments to farmers and those kinds of things. That would have been taken care of in that kind of proposal.

MR. C. MANNESS: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Thank you, Mr. Chairman. One area that I want to go back to and that's the comment that you make that if the transportation system were improved, in fact, it would work so well that everyone would be able to move all their grain and that would remove the incentive to go to the cash crops. Do I misunderstand the kinds of farmers that are in this area? Is it not the net return they get for all the crops they produce, transportation being a part of that, that they consider when they go to produce their crops, rather than whether one particular crop is subsidized or not? Isn't it the profitability of each crop that they produce rather than whether that crop falls within a certain subsidized transportation program?

MR. J. PENNER: Mr. Chairman, I would suggest that's true but in given years, under the kind of a surplus situation that we have been under, and you would know as well as I do being a farmer, that it is impossible some years not to sell all your grain. Therefore, it becomes almost a must that you have to produce something else. So I think, under those kinds of

circumstances, farmers especially in this area, were forced into the production of special crops. They did provide a cash flow and, in some years, quite a substantial flow as the Provincial Treasury might well know in some years. But it was basically that inability to move Board grains that drove farmers to the special products.

I'm afraid that if we can believe Mr. Pepin's comments that if the railways are given enough money to upgrade their facilities, the grains are going to be moved out of Western Canada. If we can believe the Wheat Board's predictions that they can sell 50 million tonnes of grain, then I think that will provide a disincentive for special crops, whether we like it or not. That's going to happen.

MR. J. DOWNEY: Given the previous statement that the more grain that is backed up and the poorer our transportation system is working, given that kind of a system, then to diversify crop production and to increase the cash flow through cash crops, you would be suggesting that to leave the statutory rate as it is would accomplish that better than changing it. Is that not to follow that thing through?

MR. J. PENNER: Production of special crops would definitely be enhanced if you're going to do anything to provide a disincentive for cereal grains. Certainly. I think that's no secret.

MR. J. DOWNEY: Another part of your brief - and I wonder if I'm misunderstanding it or maybe I don't understand the total production of sunflowers and the disappearance of it. On Page 5, you've made a statement here, "This spells the end of sunflower production in Western Canada," meaning if the Pepin proposal is accepted and there's an anomaly between rapeseed and flaxseed processing. Would that not mean it spells the end of the processing of sunflowers in Western Canada, rather than the production of sunflowers in Western Canada? I say that in light of the fact that, is it not true that a tremendous amount of our sunflowers move south into the crushing industry in the United States and there are other areas or places in which sunflowers are processed, rather than just in Altona; that it would not spell the end of sunflower production, but in fact would spell the end of the processing.

MR. J. PENNER: Mr. Downey, every indication we have is that there is about 25,000 tonnes of the 175,000 tonnes of sunflowers produced in Western Canada move south in any given year only, I should say, if markets across the line provide a better price or farmers think that they can get a better price at any given time of year. That's fair, but that is 25,000 tonnes out of 175,000-tonne production would move south.

The rest, some of it, moves east. Some of it is exported out of the country as seed. Seventy-five thousand tonnes of that production is processed at Altona, and Altona is the only processing plant in Canada that can process sunflowers.

I would suggest to you that, if you took half of the available market out of a province such as Manitoba, it wouldn't be too long before you would discourage farmers not to grow that crop.

MR. J. DOWNEY: I just wanted to be clear on that, because my knowledge of people that are marketing, particularly from the region that I come from, a tremendous amount of that production does move into the United States and I'm pleased that you did provide the numbers because it would appear then that - you say, 75,000 tonnes are processed at Altona. There is another 100,000 tonnes disappears either direct shipment into European markets or to the United States.

Thank you, Mr. Chairman.

MR. J. PENNER: Mr. Chairman, just to clarify, I should say that if the freight was going to go up in relationship to other crops, that would discourage farmers from growing sunflowers.

MR. CHAIRMAN: Further questions for Mr. Penner? Seeing none, Mr. Penner, on behalf of the committee, I would like to thank you and your organizations for presenting your brief today.

MR. J. PENNER: Thank you.

MR. CHAIRMAN: The next name on our list is Mr. E. H. Evenson. Mr. Evenson, please.

MR. E. EVENSON: Mr. Chairman, committee members, ladies and gentlemen, I have to apologize at this time for only having one copy. However, it's very short and there are only two points.

I am a farmer from the Morden area and have farmed for the past 25 years. I would like to address the issue on the change in the Crow freight rates. I am in favour of changing the rates, however, I have two concerns.

First, the rate should be tied to the price of grain on a percentage basis to reflect the change in price of grain to the farmer and his income. Since the farmer's income is one of fluctuation, it seems reasonable that the railways can share in the gamble with the customer.

Second, the best transportation system in the world is not going to benefit the farmer or his customers if there is no legislation to ensure that bottlenecks do not occur due to strikes and work-to-rule on the part of workers in the railway system and at the docks.

Respectfully submitted.

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

Mr. Plohman.

HON. J. PLOHMAN: Mr. Evenson, I wonder if you've done some thinking about the percentage you would like to see as an optimal or fair percentage of the price of grain for transportation. What would you think would be a fair percentage?

MR. E. EVENSON: Percentages have been mentioned here today, and certainly I agree with 7 percent or 8 percent or even 9 percent. I believe, if the farmer has the money coming in, he is willing to pay his share of expenses for transporting grain.

HON. J. PLOHMAN: Would you say it would be fair to go to that percentage immediately, say, next year?

MR. E. EVENSON: Certainly.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: You feel very strongly that the rate should be tied to the value of the crop that's being shipped, I gather. Is that it?

MR. E. EVENSON: That's correct.

HON. S. USKIW: Not unlike many that have presented views to this committee.

The other issue that you raise raises a number of questions, and that is that what you are implying there is a change in labour law, that would remove or discriminate against one particular labour group under labour law. In other words, they wouldn't enjoy the same rights as other labour groups do.

MR. CHAIRMAN: Order please. The mandate of this committee, even though Mr. Evenson may not be aware of it, specifically excluded this whole subject area on a decision of the Assembly. So I think that by allowing questions into that area, even though it was included in Mr. Evenson's brief, would go beyond our mandate. I would ask members to avoid discussion in that area, since it is not part of the Western Transportation Initiative and our mandate as a committee.

Mr. Uskiw.

HON. S. USKIW: Well, Mr. Chairman, you're quite right. I just thought that since it was allowed as evidence that we would then be allowed to pursue it. But I accept that ruling.

MR. CHAIRMAN: We would have been in the Weir Commission Report all day if we'd done that earlier. Further questions for Mr. Evenson? Mr. Orchard.

MR. D. ORCHARD: Just that I want to congratulate Mr. Evenson on having the perseverance to stay here until 10:00 from 1 p.m. this afternoon.

MR. E. EVENSON: Well, I thought even if the second item wasn't allowed I thought it was very important.

MR. CHAIRMAN: You have every right to make that as part of your presentation but since it's outside of our mandate we cannot address it because it's such a large separate area, sir.

Further questions by members of the committee? Hearing none, Mr. Evenson, thank you very much for bearing out and making the presentation.

The next person on our list is Mr. Ken Rutter. Mr. Rutter.

MR. K. RUTTER: Mr. Chairman, committee members, ladies and gentlemen. I also only have one copy.

My name is Ken Rutter from Miami. I farm with my father and my brother on a straight grain farm. Approximately 25 percent of our production is pedigreed seed. I praise the Provincial Government for holding these hearings. One thing I can't understand is how the Legislature can pass a resolution, then solicit information from the public. This seems backwards to me.

I am a director and the secretary of the Diploma Agricultural Graduates Association as well as a local committee member and subdistrict council member of Manitoba Pool Elevators. I speak here as a private citizen.

The Crow must go. The history has been presented here today already. If agriculture is to prosper in the future the farmers have to pay a greater share of railway transportation costs. In the past two years the Canadian Wheat Board has increased its exports. This is partly due to a slowdown in other commodities. When the economy picks up again other commodities such as coal and fertilizer will use a rail capacity. Grain will lose out. Even with Pepin's new transportation policy grain will still not be a priority mover in the rail system. We require all the extra rail capacity that we can get. If farmers don't pay for expanded capacity they certainly won't receive service.

I agree with the Pepin proposal in principle. The Western Transportation Initiative addresses problems in the current system. The major oppositions with the Pepin plan are the 6 percent inflation rate after 1985-'86 and the 31.1 million tonne volume cap. Those two elements will greatly increase the freight rates paid by farmers and limit the progression of agriculture in Western Canada.

I would like to see the Crow benefit paid to the farmers in the percentages as outlined in the Gilson proposal. I have heard the method of acreage payment would be based on four items, these being; land under cultivation; distance to market; crop rotation; and productivity. This way for the railways to get their money they will have to work to receive the money. This will in effect guarantee performance.

At present each railroad only hauls the amount of Crow grain that is offered to them as required by law. Under a new transportation system each railway will fight to increase their share of the grain haul. I have been told by a railway management employee that their railway will only make money hauling grain if they increase the volume of grain shipped. This increase will come from more production or an increase in their market share of the total haul. I can see this as being a positive benefit to the farmers of Western Canada.

I would also like to see the livestock farmers get paid the subsidy. I believe this will prevent our western livestock industry from declining further. By feeding grain to livestock this decreases our demands on the rail transportation system. I see increased processing in Western Canada. This means jobs.

We have been exporting too much raw product from Western Canada in the past. By using up raw grain supplies in processing in the west this will decrease our dependency on the rail system to move grain.

Another point I wish to mention is that I would like to see a maximum freight rate based on the percentage of a basket price of grain. This would protect farmers from high freight costs or low grain prices.

In conclusion, I feel that the future costs to the farmer have been expanded on too much. People talk of five times Crow rate within 10 years. I look ahead to the benefits coming out of a new freight rate. It will certainly cost farmers more to ship grain but if more grain can be moved, and moved faster, there has to be a direct benefit to farmers. Thank you.

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

Mr. Orchard.

MR. D. ORCHARD: Mr. Rutter, towards the end of your brief you mentioned the safety net concept that's come up. Have you got a percentage figure on that basket price of grain that you would think would be suitable or advisable?

MR. K. RUTTER: No I don't. I just like the concept.

MR. D. ORCHARD: Earlier this afternoon Manitoba Pool indicated that an historic percentage was 7 percent. Would you find that objectionable?

MR. K. RUTTER: That would be satisfactory to me.

MR. CHAIRMAN: Mr. Orchard. Other questions?
Mr. Uruski.

HON. B. URUSKI: Mr. Rutter, in your brief you initially indicated that you are in favour of the Pepin proposal. Later on towards the end of the brief you said that you wanted to have rates tied to the price of grain. Regarding those two principles, would you not feel that they are contradictory in that the latter one makes or nullifies a good portion of the Pepin proposal as is presently envisaged, whereby payments are made directly to farmers and the like?

MR. K. RUTTER: I would still see the maximum price as being an addition to the plan, and I could see it. I figure it would work.

MR. CHAIRMAN: Mr. Uruski. Further questions for Mr. Rutter?

Seeing none. Oh, Mr. Plohman.

HON. J. PLOHMAN: Mr. Rutter have you had to store grain on your farm this past year that you couldn't sell, or couldn't transport it to market?

MR. K. RUTTER: No, we didn't. But then there's ways and means around a lot of problems like that I guess. They're maybe not all above board but we try to get rid of our grain the best way we can.

HON. J. PLOHMAN: Could you just give me an estimate of what you think it would cost you to go next year to seven, eight, or a previous person mentioned nine which would be almost three times Crow next year - two to three times immediately - how much that would cost you, how many dollars that would cost you next year if that was the case?

MR. K. RUTTER: You mean, a maximum freight rate based on the price of grain?

HON. J. PLOHMAN: Yes, say it went to that next year, the percentage that was used by Mr. Orchard; or even higher, the one that was used by Mr. Evenson, eight or nine percent, which the two proposals are from two to three times what it costs this year. How much would that cost you?

MR. K. RUTTER: Oh, I guess that would mean at 7 percent \$4 wheat that you would end up with 28 cents

a bushel which would be approximately three times more.

HON. J. PLOHMAN: Yes, I just asked. Mr. Chairman, I'm just asking how many dollars that would cost you.

MR. K. RUTTER: Total dollars? I haven't figured out what the total dollars would be.

HON. J. PLOHMAN: Just a ballpark figure. Thousands?

MR. K. RUTTER: Pardon me?

HON. J. PLOHMAN: Thousands?

MR. K. RUTTER: Possibly. I can do some rough calculations I guess. Probably \$12,000 total looking at maybe an additional \$8,000; that was if our total grain was shipped through the transportation system at 25 percent being sold for seed, we don't pay transportation on those. So, maybe \$5,000 to \$6,000 more passed three times rate.

HON. J. PLOHMAN: I would like to ask, what do you see as the benefits you would get from paying out an extra \$6,000 for transportation next year?

MR. K. RUTTER: I would feel if grain would possibly move faster, quotas could open up sooner. I see those being the immediate benefits of it.

HON. J. PLOHMAN: You just mentioned that you didn't have any grain start on your property that you had to hold. I wanted to see then what benefits you thought you would have, but you would think it would just move off faster.

MR. K. RUTTER: Well, I think there is benefits to the whole western economy. It may cost us more in the present next year or two, but in 10 years time, if the railway system isn't there, maybe my grain won't move at all. I am looking to the future and I am looking to Western Canada. If I have to pay more now, I can live with that.

HON. J. PLOHMAN: Just one final question. Do you feel that most of your neighbours and most of the producers around you could afford, if that's a very fairly typical amount, could afford that over next year, to have to pay and start paying next year and more over the next number of years, could afford to do that? With all of the costs that are increasing, the fuel cost, the taxes, the price of fertilizers and everything else, I am just asking you whether you can afford to do that, and whether you think that the majority of your neighbours could.

MR. K. RUTTER: I believe there are neighbours that have stayed to basically a straight cereal or rapeseed or flax production, I believe they can. There are others who have entered into other crops who maybe through other circumstances have found themselves in difficulty. But I feel most of our neighbours could handle the extra costs.

MR. CHAIRMAN: Further questions for Mr. Rutter from members of the committee? Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Rutter did you, in getting rid of your production this year, truck to market or piggyback any grains out of, say to Minneapolis or even to Thunder Bay?

MR. K. RUTTER: No, we haven't at this point yet. We still have flax to move and we might ship it out off quota yet down to the States.

MR. D. ORCHARD: If you move it off to the States, do you know what the truck rate to Minneapolis is?

MR. K. RUTTER: No, I don't.

MR. D. ORCHARD: I could tell him what it is, but that isn't my purpose in the committee.

MR. K. RUTTER: I know it would cost us about an additional 60 cents a bushel where we plan to market it.

MR. CHAIRMAN: Further questions for Mr. Rutter? Seeing none, Mr. Rutter thank you for taking the time to come here today and make your presentation.

Mr. George Froese.

MR. G. FROESE: Mr. Chairman, I have not prepared any brief at all, so I won't be presenting any brief. But still I would like to congratulate you in having this hearing here and I feel it's very informative and it shows that you are really democratic. I hope you can keep the Crow.

Thank you.

MR. CHAIRMAN: Thank you, Mr. Froese. That concludes the list of names I had on my list for people who wish to make presentations. Is there anyone else in the audience who was not on the list who wishes to make a presentation to the committee?

Mr. Jake Froese, please come forward.

MR. J. FROESE: Mr. Chairman, gentlemen of the committee, I too wish to welcome you even at this late hour for appearing here in Morden so that it gives us an opportunity to appear before you because most of us will not have an opportunity to appear before the Federal committee when that is meeting, so this will be our only opportunity to air some of our thoughts and fears, if you might call it that.

I might start with a little story myself. It will be very short. This happened during the '30s. Just to demonstrate that some people think we are not paying a fair share of the cost of transportation at the present time, that I think we had the thing in reverse way back in the '30s.

I recall when my uncle sold a carload of rye. He shipped it and when he got the returns there wasn't sufficient returns to pay the cost of transportation, so the owner of the elevator provided my uncle with a box of apples. That's what he got for his carload of rye. So if, today, we are not measuring up and if the Federal Government is dishing out some money on our behalf, I think it's only fair.

Secondly, we in this country and the government itself, want a cheap food policy and by contributing in this way, they're providing just that very thing for us. I fear that we should not let the Crow rate go by default. I recall when His Worship, Mayor Juba, appeared before a committee in the Legislature when he, too, indicated that they were maintaining a stockyard in the city about 4 by 6 feet square. This was just to maintain certain privileges on an agreement in perpetuity, so if we farmers don't come up now and speak for the Crow, no one else will.

I fear that once we let the Crow go, we will never get it back. That statutory provision that we have at the present time is very valuable and, as we know, has been able to maintain for us a stable freight rate for all these years. Now we are going to open this thing up and there's a great danger involved.

I was at a Farmers Union meeting in Oak Bluff some time ago, and there they criticized the Pool very strongly for making this matter of the Crow a negotiable item. They criticized very sharply and very harshly that this thing had been negotiated. I, too, feel that even this thing is opened up that we should again have a statutory rate imposed and legislated, so that it would carry on and that no Minister, or no Order-in-Council could be passed to change it, so that it would stay again.

If, at a future date, it would then be tackled again, it would be with the approval of Parliament because, as we have heard, that a review is supposed to take place after three years time, so the thing will be reopened and we don't know what will take place at that time. We don't even know at the present time just what is going to be in the plan. I haven't seen the legislation and, apparently, it's not tabled yet. There can still be changes made and I think that this is the time that we should appeal to the Federal Government, not after it's tabled, because it's more difficult to get things done after they are tabled. Maybe we should take a lesson from the Native people that went to Ottawa recently and they got at least part of what they were asking for. They have ways of doing things, I don't know whether we want to do it the same way, but I think we should let our wishes be known in a very strong way.

The proposition, as far as I know it, there are too many open ends. There's the matter of inflation, where the farmer is supposed to take care - what is it? 6 percent annually. Then, too, once we change the old setup the government will no longer have to pay out to the railways, as they do now, and the railways will not have to make submissions. This way the government could call them to task; have them come before a committee of the House, or whatever case it may be, and have to answer to their requests when they make them for assistance in covering their costs. Then, too, we know from past experience - I was a member of the cannery board here locally for a number of years - and the freight differentials that exist today, and have existed for many years, where, when we delivered goods east, the cost is much higher than if they ship eastern goods to Western Canada. We found that the case with canned goods, when they would be dumping canned goods in the western provinces and we could not compete.

Just the other day, I talked to a gentlemen who had been more involved with the sugar business, the sugar

industry here in Manitoba, and he said the same thing existed in that industry for some time. I don't know whether it's still on or not.

It seems to me that we're almost entering into the same thing as they have across the line with this nuclear freeze. We're dealing with something here that's so hard to identify. The costs of transportation that really apply to the farmer, and that the farmer should bear, and I am fully in consent with that, that we should bear our cost. But we should also have a way of knowing exactly what our costs are, and for which we are responsible, because it seems to me, at the present time, there is a lot of improvements being made and will be made that are not necessarily identifiable to the farmer, as such, and that will be more benefit to industry and other natural resource industries.

I don't see too many farmers here today, but I know they are concerned. I've talked to a good number of them and they're very concerned about these increased freight costs. When we talk of three or four, or even as mentioned today, six times Crow; that's going to be a big dent in the farmer's income. Just the other day I heard a report from across the line that their farmers tend to gain between \$2 billion and \$3 billion this year in net income because of the PIK Program. Even though the price of their grains need not rise they will have this increase in net income because of that program they have. What is our case? Already our prices are lowered and now, if this should come into effect, we will have less money for the farmer for his product. I think it is upon you people, especially in government, to protest and make our case known to the federal authorities, that we do not want these increases in freight costs.

I think one of the honourable members mentioned the report, the Manitoba Report of 1980, where it indicates the income of farmers in Manitoba. I think it was less than \$1,000 per individual farmer two years ago. I don't know what it was last year, but certainly with lowering of the prices of our commodities it won't be higher, it'll be less; and we probably see minus figures instead of plus figures.

I think the timing of this whole thing is very poor. Right now, when we have these great difficulties in business and in agriculture, and in so many other areas, to bring in another matter that is very difficult for people and will cause undue hardship, that we should do at this particular time, I think, is also something that should be brought to their attention very strongly.

It may be difficult for the Members of Parliament, especially on the government side, because most of them are either from Quebec or Eastern Ontario or from the Toronto area, and that they probably will not have the same concern that our members of Western Canada might have, or will have, that it will be more difficult to persuade them. But still, I think, we should do everything in our power to see that this change not be brought in, and if it is brought in, that we, again, have a statutory rate, be it maximum three times what we are paying today. I know the flax growers of Western Canada, at their annual convention in Brandon in March, they passed a resolution, too, on this matter and they quoted a maximum of three times Crow. So, personally, I would like to see that it not be tackled at all and that we continue on the present basis, especially during this crisis or these hard times.

So, Mr. Chairman, these are some of the thoughts that I had. I don't know whether there are further meetings planned of this committee, otherwise I could have written up a report and done some further research and brought it, especially a resolution from the flax growers to you, because I was involved with that.

Thank you very much for your time.

MR. CHAIRMAN: Thank you, Mr. Froese. Questions for Mr. Froese?

Mr. Adam.

HON. A. ADAM: You indicated that you have spoken to a lot of farmers in your neighbourhood and I think you even mentioned in the States that you had spoken to somebody. You did say that farmers were really concerned about what is being proposed. In the people that you have spoken to, would you say the majority are very concerned about any further increased costs on their operations?

MR. J. FROESE: I seldom meet anyone that will want to change it. Most of them that I have spoken to and that have spoken to me have indicated that they want the Crow left on the statutes.

HON. A. ADAM: This committee would have to make a report to the Legislature after they've completed their hearings and they've had a meeting to decide on what to recommend to the Legislature. I would expect that we would have to have somebody in Ottawa to make a submission to committee there, after Mr. Pepin's bill is introduced and has gone to committee. What message do you think Manitoba should be taking to that committee?

MR. J. FROESE: I think I've indicated what my thoughts are on this. I feel that the matter shouldn't even be opened. In fact, I would like to see that the proposed legislation not even be tabled, but if it can't be avoided, then naturally we'll have to use our powers to persuade them in committee, and see whether they cannot be persuaded to withdraw or, at least to limit it to the lowest common denominator.

HON. A. ADAM: You would suggest six months hoist?

MR. J. FROESE: By all means - more than that.

HON. A. ADAM: Thank you.

MR. CHAIRMAN: Mr. Uskiw.

HON. S. USKIW: Yes, Mr. Froese. You seem to be hitching your position to that of the current tough times. Would you have a different viewpoint if the economy were much stronger?

MR. J. FROESE: I don't think the opposition would be there as much. Then if people are able to pay, they will, but presently they are not in the position to do that. So many are in very dire needs and in very hard times and are just being able to make it, as it is presently, and to have further cuts on their income being made, I think it's disastrous.

HON. S. USKIW: Well, Mr. Froese, this is our last meeting, so there will not be an opportunity beyond today for anyone to present a brief to this committee, but I just wanted to say to you that it's refreshing to hear you again.

MR. J. FROESE: Thanks.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Froese, are you aware that the National Farmers Union official position has been that there should not have been any negotiation with the Federal Government on the Crow rate?

MR. J. FROESE: I think that was indicated at that meeting in Oak Bluff. I wasn't familiar with their program until I attended that meeting and there was a group there that voiced their opinions very strongly on this matter. They were very critical of their Pool Director that was there for opening up negotiations on this matter.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Well, Mr. Froese, do you agree with that National Farmers Union position of no negotiation?

MR. J. FROESE: I've been with other commodity groups and belonged to some of them and they have taken part in the negotiations. They reported to the Boards from time to time, but there was opposition within our groups too, especially when it got to this position that it was increasing almost from one meeting to the next meeting, the increase and the rate, and from three, four, five and now even talking of six times Crow. That's why, at our conventions, the flax growers, they set a limit on it, a maximum of three times, and I definitely subscribe to limiting this. This should be limited and it should be by statute so it can't be changed.

MR. D. ORCHARD: Well, now I get the message that you're not necessarily agreeing with the NFU position that there be no negotiation, that indeed there should have been negotiation to speak on behalf of farmers to tell them what the farmers think. The concept you just brought out is that of a safety net, an upper limit, so the new arrangement is not open-ended.

MR. J. FROESE: Well, I think it's much safer by not making the thing negotiable, but once you start negotiating, certainly then you're looking for ceilings or for set amounts that it can't exceed and that is what I subscribe to.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Just briefly, Mr. Froese, the two gentlemen just before you said, you know, honestly - one said that he could afford it and the other said he'd be prepared to pay more next year to, say, 9 percent

or so. If that's typical, say, \$6,000 to \$8,000 per producer, do you feel that they represented the typical producer in your area and could they be in favour - or I shouldn't say in favour because no one wants to pay more - but would they be able to pay an extra \$8,000? If that's not a typical amount, what is typical? And could they afford to pay that with all of the other costs they have facing them at this time?

MR. J. FROESE: There would be some that would be able to do it, but as a whole, the majority, not - not in my opinion - because the price of wheat and of grain is already reduced for the coming crop year and to add this on to that, that would make a very substantial reduction. We don't know what kind of a crop we're going to have. If we should have poorer yields than the last couple of years, it would still be more aggravating and we would get to the point where farmers just won't be making it and I think we will have more farmers, if things continue along this way, that will not be making it.

I don't know whether that answered your question.

MR. CHAIRMAN: Further questions by members of the committee? Seeing none, Mr. Froese, thank you for being here today and making your presentation.

Gentlemen, that concludes our list of presentations today. Before I ask for a motion for adjournment, there is one other item. The Clerk has received a letter from Mr. John A. Clark of Mather, Manitoba, with respect to the issue before us. The Clerk is now distributing copies. Maybe you would like a quick look at the letter before you determine whether or not you would like this printed in the transcript of this meeting.

Mr. Orchard.

MR. D. ORCHARD: Is it not normal that as long as there is no unparliamentary language in a letter, it can become part of the public record? It is addressed to the Clerk of the Committee and it appears, from the first page at least, to address the subject matter and as long as there is nothing unparliamentary contained within, I think it could well become part of the public record.

MR. CHAIRMAN: That certainly has been the practice. I have not had an opportunity, because I just received the letter this evening, to peruse it myself. I'll have to ask the Clerk if she considers it to be fully in order as to whether or not there is any unparliamentary language.

Subject to the reservation proposed by Mr. Orchard then, is it agreed that the letter be printed as an appendix to the issue of today's Hansard? (Agreed)

Motion to adjourn please.

Moved by Mr. Plohman, committee is adjourned and stands adjourned at the call of the Chair.

MR. D. ORCHARD: Mr. Chairman, do we not tonight set the date for the next meeting.?

MR. CHAIRMAN: I've adjourned to the call of the Chair because there had not been any discussion for a subsequent meeting. I will accept the advice of all members if members want to meet as soon as possible, I think that's been made very clear.

**WRITTEN BRIEF BY JOHN ALEX CLARK
OF MATHER, MANITOBA**

Mather, Manitoba

Public Notice

Carmen DePape
Clerk of Committees
Room 251,
Legislative Building
450 Broadway Avenue
Winnipeg, Manitoba

Dear Sirs:

Mesdames and Gentlemen. Relating to The Western Transportation Initiative proposed by the Government of Canada. It is April 13, 1983. I read today in the Co-Operator Weekly Manitoba offers oats quotas A5s bushels, B2.9 bushels equals 7.9 bushels at Clearwater Pool Elevator. Price quoted to me last week \$1.22 per bushel; $7.9 \times \$1.22 = \9.76 .

Oats for seed last year cost \$4.25 per bushel, \$11.20 per acre for seed. $\$11.20 - \$9.76 = \$1.44$ still owing.

Proverbs 15:27. He that is greedy of gain troubleth his own house; but he that hateth gifts shall live.

Proverbs 21:6. The getting of treasures by a lying tongue is a vanity tossed to and fro of them that seek death.

Proverbs 21:3. To do justice and judgment is more acceptable to the Lord than sacrifice.

Proverbs 24:7. Wisdom is too high for a fool: he openeth not his mouth in the gate.

So this might not do any good. But one, if the railways would put some opens with secure lids on top of their box cars farmers could fill them easier and faster, thereby providing a quicker return of full payload car to seaboard or lakehead. Also much easier for farmers to fill with oil seeds and special crops that are now being carried on highway trucks. If these were easily accessible lids on top of square box cars.

Proverbs 29:4. The king, by judgment establisheth the land: but he that receiveth gifts overthroweth it.

How much in gifts has the railways received in the past lands, subsidies, etc. Also of late years hopper cars which few of any kind were seen on CPR La Riviere line going past Clearwater and Mather, Manitoba.

Proverbs 21:13. Whoso stoppeth his ears at the cry of the poor, he also shall cry himself, but shall not be heard.

Some people may think that the extra price that were received the sum of the last 10 years might justify price change, but already prices have been normal or below for grain.

Proverbs 18:17. He that is first in his own cause seemeth just; but his neighbour cometh and searcheth him.

Proverbs 10:16. The labour of the righteous tendeth to life: the fruit of the wicked to sin.

Were the railways to convert labour a little by putting in sliding ends in their square rectangular cars they would be easier to fill and empty, as they don't use all the space, they would contain the payload.

Proverbs 14:23. In all labour there is profit: but the talk of the lips tendeth only to penury.

Maybe with a welding the life and profit of those boxcar could be increased.

Proverbs 21:5. The thoughts of the diligent tend only to plenteousness; but of every one that is hasty only to want.

This year there is going work done the railway on this line. If there had been a co-ordinator he could have had large quota this winter where tracks hard frozen to compensate for time lost when track will be unfit for travel.

Many guidelines expect you to pay for large \$70,000 combine in four years. How long do they expect it will take to pay for railway improvement.

Proverbs 19:27. Cease, my son, to hear the instruction that causeth to err from the words of knowledge.

Proverbs 13:15. Good understanding giveth favour; but the way of transgressors is hard.

How many unemployed in Canada today? Have you ever shovelled dust barely in a boxcar with no roof open? Righteous man considereth the cause of the poor but the wicked regardeth not to know it.

Proverbs 14:34. Righteousness exalteth a nation: but sin is a reproach to any people.

Yours truly,
John Alex Clark,
SE 22-1-13W1
Mather, Manitoba
Box 101, ROK 1L0

Mather, Manitoba.
April 19, 1983

Carmen DePape
Clerk of Committees
Room 251
Legislative Building
450 Broadway
Winnipeg, Manitoba
R3C ON8

Dear Sir:

Misappropriation of Money Held Under Direction. Effect of entry in account.

292(1) Every one commits theft who; having received, either solely or jointly with another person, money or valuable security or a Power of Attorney for the sale of real or personal property, with a direction that the money, or part of it, or the proceeds of a part of the proceeds of the security or the property shall be applied to a purpose, or paid to a person specified in the direct, fraudulently and contrary to the directions, applied to any other purpose, or pay to any other person the money or proceeds or any part of it.

The Canadian Wheat Board brought with the farmers final payment on grain (hopper boxcars) for the use of railways of which, when new they play with for a few years drawing back and forth hauling grain, but the newness has worn off the toy and now the boys want money, more of it.

Punishment for Theft: 294 - Except where otherwise provided by law, everyone who commits theft

(a) is guilty of an indictable offence and is liable to imprisonment for 10 years, whereby the property stolen is a testament, any interment, or where the value of what is stolen exceeds \$200; or

(b) is guilty (i) of an indictable offence and is liable to imprisonment for 2 years; or (ii) of an offence punishable on summary conviction, where the value of what is stolen does not exceed \$200.00.

St. John 7:51. Doth our law judge any man, before it hear him, and know what he doeth?

Monday, 25 April, 1983

St. John 10:10. The thief cometh; not but for to steal, and to kill, and to destroy: I am come that they might have life, and that they might have it more abundantly.

Revelations 6:6. And I heard a voice in the midst of the four beasts say, A measure of wheat for a penny, and three measures for a penny and see thou hurt not the oil and the wine.

Frost on the night of August 27, 1983?

(But the federal program may now get a boost with \$20 million research centre that was promised as part

of the deal to dismantle the Crow rate) (by Hank Daniszewski, Sun Staff)

Freight they want raised by five times what we now pay? \$.15 per bushel x 5 = \$.75 per bushel. Oats one day in 1982 was \$.95 per bushel - \$.75 = \$.20 per bushel if farmers were forced to sell that day.

Yours truly,
John Alex Clark,
Box 101,
Mather, Manitoba

Figure 2: Freight Rate Comparison Illustrating the Impact of the Western Transportation Initiatives.

| COMMODITY | EXISTING RATE \$/TONNE (Disparity) | PEPIN RATE \$/TONNE (Disparity) |
|-------------------------------------|---------------------------------------|------------------------------------|
| <u>SEED (ALTONA TO THUNDER BAY)</u> | | |
| Cereal Grains | 3.30 | 3.30 |
| Canola/Flax | 3.64 | 3.64 |
| Sunflower Seed | 33.73 <u>(30.09)</u> | 33.73 <u>(30.09)</u> |
| <u>OIL (ALTONA TO VANCOUVER)</u> | | |
| Canola Oil | 44.97 | 8.05 |
| Sunflower Oil | 67.24 <u>(22.27)</u> | 67.24 <u>(59.19)</u> |
| <u>OIL (ALTONA TO THUNDER BAY)</u> | | |
| Canola Oil | 15.64 | 3.64 |
| Sunflower Oil | 35.27 <u>(19.63)</u> | 35.27 <u>(31.63)</u> |
| <u>MEAL (ALTONA TO THUNDER BAY)</u> | | |
| Canola Meal | 3.64 | 3.64 |
| Sunflower Meal | 3.64 (Nil) | 3.64 (Nil) |

FIGURE 3: 1982/83 Seed Distribution and Cost of Freight Parity August 1/82 - July 31/83

| | |
|-----------------------|---------------|
| Total Seed Production | 95,000 m.t. |
| Seed Crushed by CSP | <u>45,000</u> |
| Balance | 50,000 m.t. |

I. CSP Foods Ltd. Cost of Parity

45,000 m.t. seed
(18,000 m.t. oil, 15,750 m.t. meal
11,250 hulls)

- (a) Meal - 15,750 m.t. This already moves at Crow and costs included in \$651.6 million Federal Contribution
- (b) Hulls - 11,250 m.t. This product is waste and dumped - some trucked to location farmers
- (c) Oil - 18,000 m.t.
 - i. 5,000 m.t. to Vancouver
Crow Rate = 36½
5.2 times Crow(Railway LRVC) = \$1.90
Difference = \$1.53½ (\$33.84 m.t.) \$169,200.00
 - ii. 13,000 m.t. to Thunder Bay (Export or East)
Crow Rate = .16½
5.2 times Crow(Railway LRVC) = \$0.86
Difference = \$0.69½ (\$15.32) \$199,160.00

II. Sunflower Seed Balance

A. Exported to U.S.A.

25,000 m.t. (via Truck or Rail)

B. Exported via Thunder Bay

25,000 m.t. to Thunder Bay (export)
Crow Rate .16½
5.2 times Crow(Railway LRVC) = \$0.86
Difference \$0.69½ (\$15.32 m.t.) \$383,000.00

C. Summary of Costs for Parity

| | | |
|-------|---|---------------------|
| Meal | - | Nil |
| Hulls | - | Nil |
| Oil | - | \$368,360.00 |
| Seed | - | <u>\$383,000.00</u> |
| Total | | \$751,360.00 |

MANITOBA POOL ELEVATORS

Expenditures over past 10 years

Country Operations

| | | |
|----------------------|---------|---------|
| Capital Expenditures | \$ 30.6 | million |
| Repairs | \$ 18.5 | million |

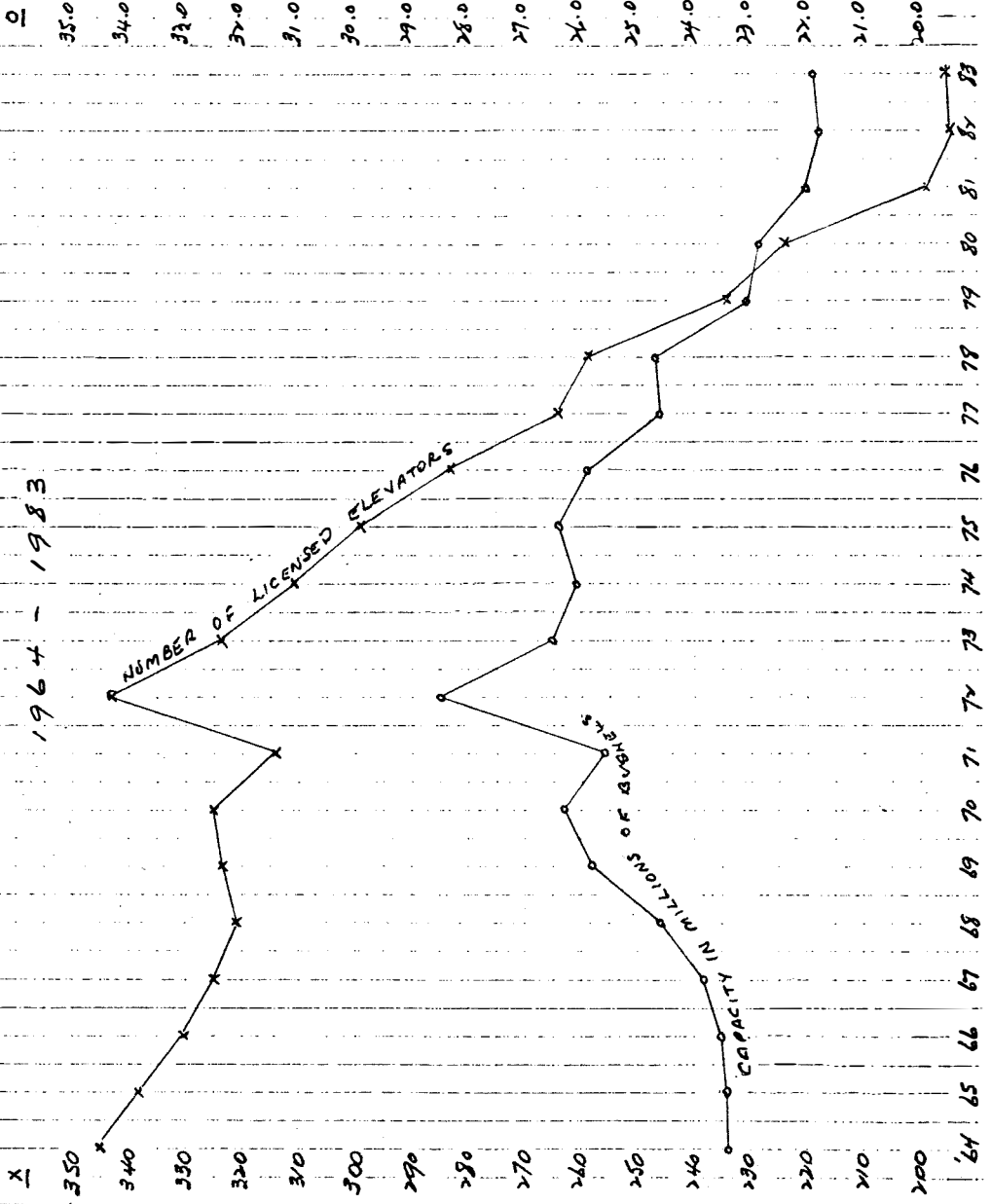
Terminal Operations

| | | |
|----------------------|---------|---------|
| Capital Expenditures | \$ 9.2 | million |
| Repairs | \$ 10.3 | million |

| | | |
|-------------------------------------|----------------|---------|
| Total Expenditures Over 10 Years | <u>\$ 68.6</u> | million |
|-------------------------------------|----------------|---------|

MANITOBA POOL ELEVATORS
ELEVATORS AND CAPACITY

1964 - 1983



GRAIN PRICES - DO THEY RELATE TO INFLATION?

Western farmers have serious concerns about significantly higher freight rates (500% increase in next 10 years) since grain prices in the last 9 years have fallen well below the general rate of inflation.

Consider these facts:

- In 1973-74 prairie farmers received \$168.21 per tonne or \$4.57/bus. for No. 1 CWRS wheat.
- In 1980-81 wheat prices increased to \$222.12 per tonne or \$6.04/bus.
- In 1981-82 wheat prices declined to \$199.62 per tonne or \$5.43/bus.
- In 1982-83 wheat prices are expected to decline further to \$190.00 per tonne or \$5.17/bus.

The above price trend indicates that western grain producers will only receive a price this year for their wheat which is 13% above the level 9 years ago.

The general rate of inflation as measured by the Consumer Price Index rose a staggering 135% over the same period of time.

Conclusion

If wheat prices had increased in accordance with the CPI, western farmers should be receiving \$395.23 per tonne or \$10.76/bus., not \$190.00 per tonne (\$5.17/bus.).

It is therefore evident that some mechanism to protect future freight rate adjustments in relation to producers' ability to pay is absolutely essential.

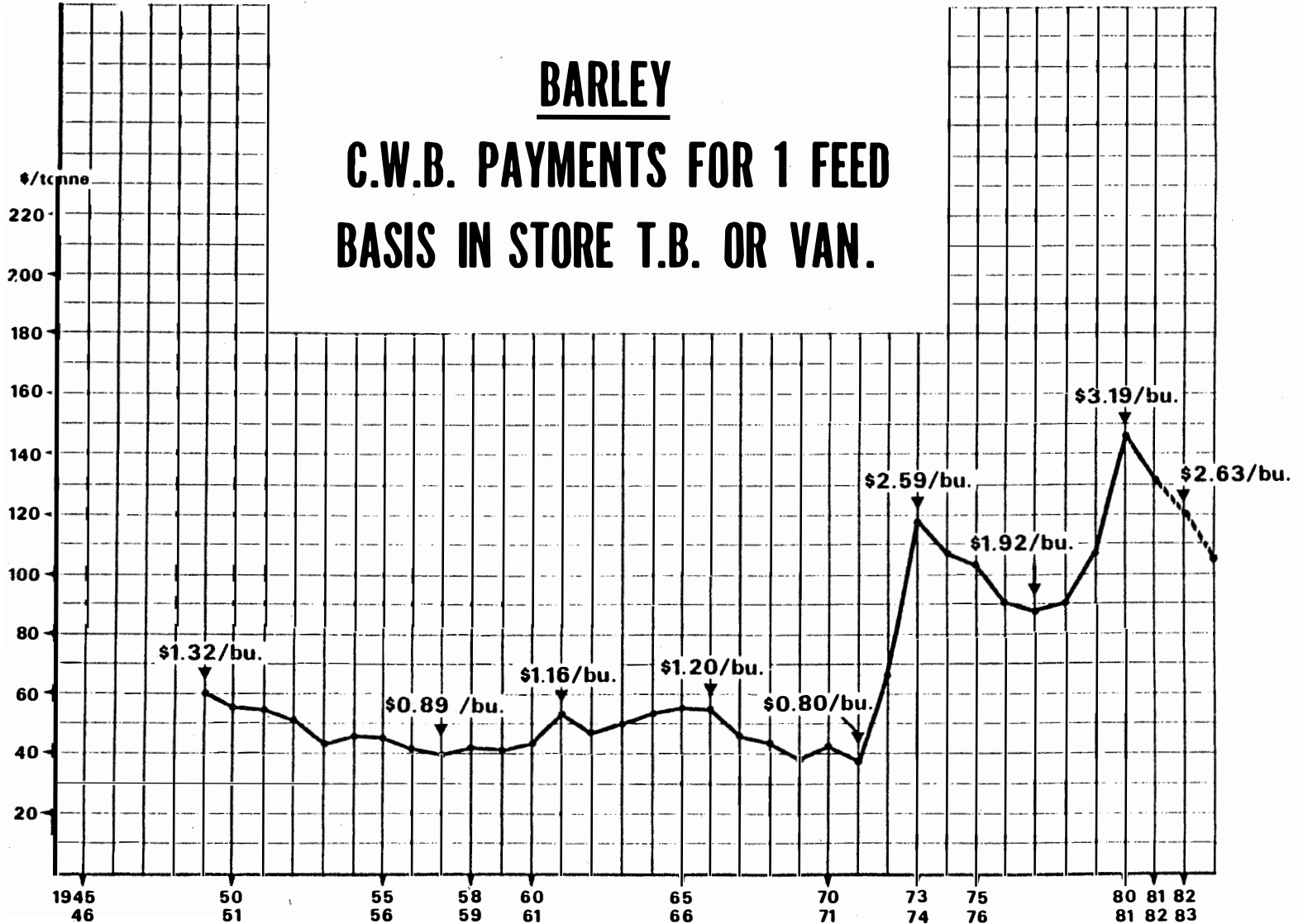
NOTE:

Bruce Kirk, Ag. Economist who prepared the background papers for the February 1 announcement, projected a wheat price of \$12.40 per bushel by 1990. Dr. Harvey, who had done some projections several years earlier and on whose material much of Agriculture Canada's work was based, had projected wheat prices of \$7.20 per bushel in 1983.

BARLEY

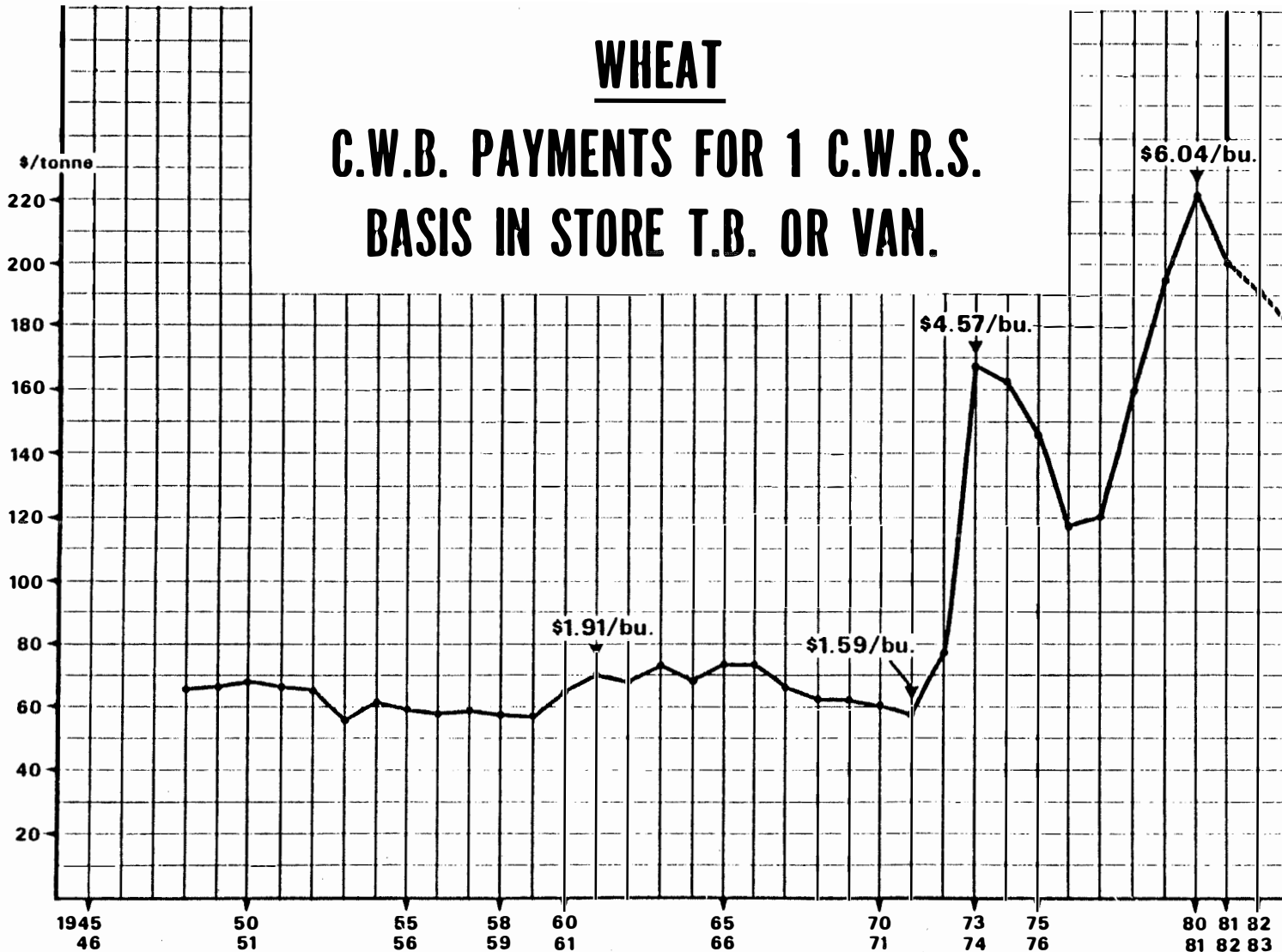
C.W.B. PAYMENTS FOR 1 FEED BASIS IN STORE T.B. OR VAN.

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WHEAT

C.W.B. PAYMENTS FOR 1 C.W.R.S. BASIS IN STORE T.B. OR VAN.



PEPIN'S PROPOSAL - ITS IMPLICATIONS TO
PRODUCERS

Beginning this year, the railway will receive compensatory rate for hauling grain. This will cover all of their cash costs related to grain hauling (including 20.5% return on investment) and after four years an additional 20% toward off line costs (called contribution). In their costing into the future, the government have assumed that the railways costs will increase 8% this year, 7% next year and 6% each year thereafter.

The government will assume all of the difference between "Crow rate" and the compensatory rate this year ('82-'83). They want the farmer to pay the first 3% of the increased costs in '83-'84, '84-'85, and '85-'86. They also want the farmer to pay the total freight on all volumes over 31.1 million tonnes (amount moved by rail in 1981-82). After 1985-86 and thereafter, the producer is asked to pay all of the increase to 6% as well as the total freight on all volumes over 31.1 million tonnes.

If we assume that production will increase by 3% each year to 1992 and 1% each year thereafter, then the compensatory rate as calculated using government figures are as follows:-

| <u>Year</u> | <u>Rate per Tonne</u> | <u>Wheat c/bu.</u> | <u>Barley c/bu.</u> |
|-------------|-----------------------|--------------------|---------------------|
| 1983-84 | \$ 26.23 | 0.71 | 0.58 |
| 1984-85 | 28.81 | 0.79 | 0.64 |
| 1985-86 | 31.26 | 0.85 | 0.69 |
| 1986-87 | 34.31 | 0.93 | 0.76 |
| 1987-88 | 36.28 | 0.99 | 0.81 |
| 1988-89 | 38.28 | 1.04 | 0.85 |
| 1989-90 | 40.44 | 1.10 | 0.90 |
| 1990-91 | 42.66 | 1.16 | 0.95 |
| 1991-92 | 45.13 | 1.23 | 1.00 |
| 1992-93 | 47.68 | 1.30 | 1.06 |
| 1995-96 | 56.97 | 1.55 | 1.27 |
| 2000-01 | 75.90 | 2.06 | 1.69 |

These rates are average for the prairies and will be slightly less for Manitoba.

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It is proposed that the government's share of future freight costs will be gradually paid to producers on an increasing level until 1985-86 when about 1/2 of the payment will be made to producers. A corresponding amount will be added to the producers freight costs. Thus in 1992-93 a producer would have deducted from his grain ticket \$38.16 per tonne (\$31.03 producers net cost plus government payment of \$7.13). The remainder of government share would be paid to railways (\$9.52).

If we assume that at least 20% of the \$7.13 payment to producers will not go to grain shippers, then the shipper producers net cost per tonne will be about \$32.45 per tonne of the total compensatory rate of \$47.68.

| Year | Net Producer Cost | | Producer Receives From Gov't. (Per Tonne) | Amt. Paid at Elevator (Per Tonne) | Total Cost | |
|---------|-------------------|-----------|---|-----------------------------------|------------|-----------|
| | Per Tonne | Wht ¢/bu. | | | Per Tonne | Wht ¢/bu. |
| 1983-84 | \$ 5.48 | 0.15 | \$ 7.23 | \$ 12.71 | \$ 26.23 | 0.71 |
| 1984-85 | 7.29 | 0.20 | 8.72 | 16.01 | 28.81 | 0.78 |
| 1985-86 | 9.35 | 0.25 | 10.21 | 19.56 | 31.28 | 0.85 |
| 1986-87 | 14.40 | 0.39 | 8.53 | 22.93 | 34.31 | 0.93 |
| 1987-88 | 16.93 | 0.46 | 8.29 | 25.22 | 36.28 | 0.99 |
| 1988-89 | 19.53 | 0.53 | 8.03 | 27.56 | 38.28 | 1.04 |
| 1989-90 | 22.23 | 0.60 | 7.50 | 29.73 | 40.44 | 1.10 |
| 1990-91 | 25.07 | 0.68 | 7.46 | 32.63 | 42.66 | 1.16 |
| 1991-92 | 27.98 | 0.76 | 7.35 | 35.33 | 45.13 | 1.23 |
| 1992-93 | 31.03 | 0.85 | 7.13 | 38.16 | 47.68 | 1.30 |
| 1995-96 | 41.45 | 1.13 | 6.90 | 48.35 | 56.97 | 1.55 |
| 2000-01 | 61.08 | 1.66 | 6.59 | 67.67 | 75.90 | 2.06 |

POOL'S CONCERNS REGARDING THE PEPIN PLAN

1. The Government plans to introduce a phase-in of subsidy payments to farmers as a means of distributing the Crow benefit. Producer subsidies are politically vulnerable; they do not permit effective railway performance guarantees; they are extremely complex to administer in a fair and equitable manner; they open the door for possible introduction of variable rates; there will be pressure for offsetting grants to other regions of the country that could be avoided by the direct "pay the railway" option.
2. The Pepin plan will require grain producers to pay annually, increases of up to 3% of total railway costs for the period to 1985-86 and up to 6% for the period 1986-87 and beyond. The cumulative impact over time will result in excessive costs with grain producers paying nearly 5.6 times Crow or 60% of railway costs by 1991 and 75% of total costs by the year 2000. The policy as announced does not recognize the need to relate producer freight rate adjustments to the ability to pay (as reflected in the basket price of grain) or as a specific maximum percentage of total freight costs.
3. The Pepin plan will require grain producers to absorb the entire cost of grain shipments in excess of 31.1 million tonnes based on 1981-82 level of shipments. The principle of statutory freight rate protection must continue to be part of an historical accord between the Federal Government and the Prairie Region. It is completely unfair for producers to be required to assume the full costs of transporting increasing quantities of grains, since increased exports benefit the entire country. Passing all costs of increased production onto the backs of grain producers will be a significant disincentive to meeting projected grain export targets. Increased livestock production, not justified by market demand, could put additional downward pressure on prices.
4. The Pepin plan suggests that legislation will express the principle that grain freight rates shall continue to be generally distance related. The background notes on Freight Rate Structure indicate that the rates published would apply to single car movement. The legislation must clearly prohibit the use of variable or incentive rates by rail carriers and to the fullest extent all rates must be structured on a distance related basis. The introduction of variable rates would result in a significant transfer of costs from the railways and government to some grain producers as a result of branch line elimination and grain delivery system consolidation.

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5. The Pepin plan extends the statutory rate to canola, linseed oil and meal, but does not include other important specialty grains and their processed products. In order to facilitate the development and processing of new or existing specialty crops, it is essential that all Western grains and their processed products be placed under a common freight rate structure.
6. The Pepin plan calls for a reduction of \$268 million in branch line rehabilitation expenditures over the period ending 1990. Given increasing costs for rail maintenance and reconstruction, federal funding to complete the rehabilitation of the prairie rail system must be increased significantly. Failure to upgrade branch lines as quickly as possible suggests many will be candidates for abandonment through inadequate rail service and diminishing producer patronage.
7. The Pepin plan will establish a new Grain Transportation Agency, replacing the existing Grain Transportation Co-ordinator, with responsibilities for railway performance guarantees, car allocation and identifying measures to increase grain transportation efficiency. The proposed Agency, while supported as a mechanism for improved planning, co-ordination and monitoring of the grain system, must not be allowed to interfere with the present authority and responsibility of the Canadian Wheat Board as the central selling agency.

February, 1983