



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

**STANDING COMMITTEE**

on

**AGRICULTURE**

31-32 Elizabeth II

*Chairman*  
*Mr. A. Anstett*  
*Constituency of Springfield*



MG-8048

**VOL. XXXI No. 5 - 10:00 a.m., FRIDAY, 15 APRIL, 1983.**

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

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

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON AGRICULTURE**

**Friday, 15 April, 1983**

**TIME — 10:00 a.m.**

**LOCATION — Dauphin, Manitoba**

**CHAIRMAN — Mr. A. Anstett, Springfield**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Bucklaschuk, Plohman, Uruski and Uskiw

Messrs. Anstett, Blake, Carroll, Downey, Harapiak, Manness

**WITNESSES:** Mr. Laverne Lewycky - M.P. for Dauphin

Mr. Doug Cowling - Private Citizen

Mr. Gordon McPhee - Private Citizen

Mr. William Yaceniuk - Private Citizen

Messrs. Nestor Slonowsky, Reeve; David J. Dohan, Secretary-Treasurer - Rural Municipality of Ethelbert

**MATTERS UNDER DISCUSSION:**

Western Transportation Initiative proposed by the Government of Canada

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**MR. CHAIRMAN:** Would you please take your seats? The meeting is about to begin. Order please.

Ladies and gentlemen, I'd like to welcome you to this hearing of the Standing Committee on Agriculture of the Manitoba Legislative Assembly. The purpose of this meeting is to hear briefs with regard to the Western Transportation Initiative proposed by the Government of Canada.

Before we commence our proceedings, I would like to introduce to you the members of the committee. On my far right, Mr. Henry Carroll from Brandon West; beside Henry, wearing the beard, Mr. Dave Blake from Minnedosa; beside Dave, your local MLA, the Honourable John Plohman, MLA for Dauphin and Minister of Government Services; beside John, another John, John Bucklaschuk, Minister of Co-operative Development and MLA for Gimli.

Starting at the other end of the table, on my far left, Mr. Jim Downey, the Member for Arthur; beside Jim, Clayton Manness, the Member for Morris; beside him, Mr. Harry Harapiak, the Member for The Pas; beside Harry, the Honourable Billie Uruski, Minister of Agricultura, MLA for the Interlake; beside him the Honourable Sam Uskiw, Minister of Highways and Transportation, MLA for Lac du Bonnet. My name is Andy Anstett. I'm your Chairman and the MLA for Springfield.

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.
6. (b) The method of paying the government contribution will be that recommended by Dr. Gilson, but the method will be reviewed in 1985-86, when the split is approximately 50 percent to each party. Parliamentary approval will be required to continue any further progression of payments to the producers.
7. Payments to producers will be on a acreage basis, including cultivated acreage devoted to non-Crow crops and to Crow grain used on the Prairies, not on the basis of tonnes of Crow grain shipped by rail. Since this would mean less money per tonne of grain shipped, the Federal Government will pay the producers an additional \$204 million for the crop years 1983-84 to 1985-86, as an agricultural adjustment payment. The Federal Government will commit an additional \$56 million after 1985-86, if the phased payments continue to 1988-89.
8. Canola oil and meal and linseed oil and meal will be included under the new statutory rate regime in 1983-84. For the crop year 1982-83, these products will be assisted through an existing program in the absence of legislation that will pay the difference between the statutory rate and the current minimum compensatory rate west of Thunder Bay. However, the Federal Government believes the commercial rates for these products beyond Thunder Bay to eastern markets should be established. Currently the railways charge a lower minimum compensatory rate on these products.
9. A new grain transportation agency will be established to perform the current duties of the office of the grain transportation co-ordinator 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.

Ladies and gentlemen, that is the Federal Government Western Transportation Initiative. The purpose of our committee meetings is to solicit your opinions on that initiative. We have on the list of people who have indicated they wish to appear before the committee today the following names: Mr. Laverne Lewycky; Mr. Doug Cowling; Mr. Gordon McPhee; Mr. William Yaceniuk.

Is there anyone else whose name I have not called out who wishes to speak to the committee today? If so, will you please come forward and give your name at the microphone? If there is no one else, I would then like to call on Mr. Laverne Lewycky to make his presentation.

Mr. Lewycky.

**MR. L. LEWYCKY:** Thank you very much, Mr. Chairman. I have a prepared text of which there is a copy for every member on the committee.

Mr. Chairman and members of the Manitoba Standing Committee on Agriculture, may I take this opportunity at the outset to indeed welcome you to Dauphin. I think that the latest "Quick Canadian Facts" indicates that Dauphin is something like the 260th largest city in Canada, and so I welcome you to the 260th largest city in Canada.

I'm very pleased that you have chosen to have hearings all across Manitoba, and I think that this example is something that really the Federal Government should have been following and something that the Federal Government should have done to talk to producers in the various areas and talk to people in the regions who are prepared to make a representation.

As I say in my notes here, it gives me great pleasure as the member of parliament for Dauphin to welcome the Manitoba Standing Committee on Agriculture this morning. I am pleased to be allowed the opportunity to make a statement in regard to the Crow rate and specifically with regard to the Pepin plan.

The Crow rate was and is the foundation of Western Canadian agriculture. This statutory grain transportation rate is crucial to the continued existence of many rural Manitoba communities, of which the Dauphin Constituency is entirely composed. The Crow rate must be retained as is. At the present time, many producers are fighting just to keep their operations going, and I make this statement based on the full knowledge that I have many people, Mr. Chairman, coming into my constituency office who have experienced greater financial difficulty in the farming sector than they have ever before. In fact, some farmers are so frustrated that they have brought me and shown me their bank accounts; they've shown me their interest payments that they've had to pay year-by-year, and in many cases some of the statements that I've seen, some of the income tax returns they've brought, have pointed out to me that the costs they are faced have been rising very very quickly. It is inconceivable how some people can foresee producers handling freight rates that will rise by about 500 percent by 1990, unless they are interested in changing the present structure of our agriculture sector.

The 50-50 payments to the producers and the railways by 1985-86 will surely lead to further branch line abandonment and thus the slow death of many more small rural communities. In short, railways will opt for variable rates, allowing them to favour the communities they find it more profitable to serve. It is no surprise that producers and the public at large in the Dauphin federal riding in Manitoba and across the Prairie provinces are opposed to changing the Crow rate. Their concerns have been demonstrated through individual letters, through resolutions, through petitions, through meetings and through various rallies.

On behalf of the constituents in the Dauphin federal riding, I have presented two sets of petitions before the House of Commons calling for the retention of the Crow rate. For example, on June 23, 1982, I presented the House of Commons petitions with some 1,312 signatures, and on March 22, 1983, I presented a further 205 petitions.

Furthermore, on February 26, 1982, and February 2, 1983, I presented resolutions to the House from the Swan River area. These resolutions were passed at

meetings with an attendance of around 300 local residents who expressed their opposition to a change in the historic Crow rate. In addition to that, I have received numerous letters from individual constituents and other concerned Canadians as well.

Recently in Ottawa, 16 large plywood crows with over 15,000 signatures, most of them from Saskatchewan, congregated on Parliament Hill. "Keep the Crow" rallies have drawn large crowds, some 400 in Oak Bluff, some 500 farmers in Edmonton and 800 farmers in Saskatoon. All of these I mention merely to indicate the concern that farmers on the Prairies have.

The Federal New Democratic Party, on its own part, has launched a Crow retention plan of its own, the main points of which are: that the payment for the railways should be for the out-of-pocket expenses for hauling of grain; that there should be an upgrading of the railway transportation system. The plan includes some 485,000 jobs; the beginning and end of all of this plan is with the retention of the Crow rate.

Now, some people have expressed some concern with regard to, is the hearing that you yourself are having or the representations of western farmers, is it all in vain? Can the Pepin plan be beaten? My own assessment at this stage is that the Pepin plan can be beaten; that there could be a retention of the Crow, but it will require a continued public reaction that would prevent the Federal Government from ramming the bill through Parliament to meet an artificial July 1st deadline.

The Federal Government is slowly realizing that they cannot even state that they have a sort of consensus on the Prairies in regard to changing the Crow. Of course, the Prime Minister is often quoted as having said that he would not make changes to the Crow unless there was a consensus in the west. What your meeting does and what your hearings do, as well as other representations that we have received, is indicate to the Federal Government that there is no such consensus in the west with regard to changing the Crow.

If we are to change the government's mind, we must demonstrate clear-cut opposition to the Crow change. Time is no longer, I would suggest, on Mr. Pepin's side. If he is delayed until the fall, the entire Crow change project will likely fail as the present Liberal Government starts looking towards an upcoming election.

I think that there are probably other observations that I would like to share, but probably I'll reserve those, Mr. Chairman, in response to the questions that members of your committee may have. I know one of the things that has concerned many farmers in the west is the attitude of the government. The same Minister who is responsible for introducing changes to the Crow rate is the same Minister who introduced voluntary metric. A lot of farmers have expressed concern that this same Minister who was supposed to have introduced voluntary metric, which was supposed to be a great boon to the farmers of Western Canada, is now the same Minister who is introducing a so-called Crow benefit to the western producers.

So those are the opening comments that I wished to make at this time, Mr. Chairman, and I would be willing to respond to comments or reactions or questions that members of your committee may have of me at this time.

**MR. CHAIRMAN:** Thank you, Mr. Lewycky. Questions from members of the committee - Mr. Uskiw.

**HON. S. USKIW:** Mr. Lewycky, Jean-Luc Pepin has indicated to Canadians and certainly to us directly that with the new rules of the House that it is possible for him and indeed probable that he can pass this legislation by June 30th; that unlike previous Parliaments where the opposition had a mechanism to frustrate every debate and every procedure that with the new rules he can schedule the processing of this bill through Parliament without fear of not meeting the June 30th deadline. I am wondering whether you can give us some opinion on that; whether in fact it is within the power of the opposition in the House of Commons, if it were their desire to frustrate this bill out of existence in this Parliament, or whether in fact he is right, that procedurally the opposition cannot prevent him from passing this bill by June 30th.

**MR. CHAIRMAN:** Mr. Lewycky.

**MR. L. LEWYCKY:** The Federal Government has always had the closure motion that they could impose and there is nothing in the current procedural rules that would diminish that power that they have always had. It is a majority government so they would always have that particular power, but the rules of the political game are always such that the government, for Parliament to function, always requires the co-operation of the opposition. Where we have been able to point out that particular legislation is not going to be beneficial or acceptable, Ministers have been forced, because of public pressure or pressure from members of Parliament, to back down.

A bill that immediately comes to my mind is Bill C-10 that was introduced by the Minister of Consumer and Corporate Affairs. In the process, this bill has not come to the floor again until the changes that were asked for were given.

So I think that there is the pressure that is being put on the Minister right now. We are constantly receiving petitions and the government is forced to respond to that; besides that, there are pressures from the Quebec MPs. Mr. Pepin - it's not just a question of getting it through to the House - he also has to be able to get it through his own caucus. I have never seen Quebec MPs as friendly to me in elevators or other places as they have been over this whole question of concerns that they have of the implication of changing something which is historic to Canada, because they know that there are some spin-off implications for them. I believe that it could be beaten, but I would definitely acknowledge that the government can impose closure as they have on other measures.

**HON. S. USKIW:** What the Minister of Transport has been alluding to, though, was the fact that there has been a change of rules or procedures in the House of Commons that will expedite legislation much more quickly than was the case under the previous rules. That's the point he was making; that with the new system operating in Parliament now, without having to rely on closure to cut off debate on certain motions and during certain procedures, that they can accomplish that timetable.

**MR. L. LEWYCKY:** They have another euphemism for closure if that's what he is referring to, but the substance

is really no different. It is still a closure motion. It has a different number now, but it's still a closure motion. It's really no different from previous.

**HON. S. USKIW:** My understanding or impression of that was that there is a fixed timetable for each motion, that is, second reading, and then committee will have a certain number of days or weeks to consider the bill and then they must bring it back. It can't be delayed indefinitely by whatever the opposition wants to do which was the case before.

If he is right, that procedurally he can accomplish this by June 30th - I know we can always do it with closure, but he implied that he didn't think he'd have to use it under new rules. If that is so what can be done by anyone if, indeed, the Government of Canada is determined to push this bill through? What, in your opinion, is the mechanism that would be most effective, other than the political one which you've already alluded to, in order to stop this measure? What can Western Canadians do?

**MR. CHAIRMAN:** Mr. Lewycky.

**MR. L. LEWYCKY:** Well, there's always the avenue of individual representation that could be made and any representation that is made to my office is definitely passed on to the Minister. But I think the fact that you have here a Manitoba Government, combined with a Government of Saskatchewan, and a united front being presented, this is definitely a new aspect of the situation that has not really been that clear before, so I think just the very fact that we have this type of representation is very helpful, because what it means is that individual members of Parliament, like I, can raise these issues in the House and point this out to the Minister who would not be necessarily aware of these developments.

**HON. S. USKIW:** How much weight, do you think, the fact that Saskatchewan unanimously in their Legislature passed such a motion proposing the plan; Manitoba, again unanimously, which means the combined strength of the Conservative and New Democratic Parties - Saskatchewan combining the Liberals as well - how much weight is that in your opinion with respect to how Parliament will look at this question?

**MR. L. LEWYCKY:** Well, in my opinion, Mr. Chairman, it certain is a definite heavy weight because this is a type of united front that we did not really have before. What it has meant, even in terms of the operation of the House, is where you had some members who were fairly vocal in supporting the Pepin proposal at the outset, these members have not said one iota in the last three to four months, and this means that there has not been this kind of support, or the Minister can no longer refer to any opposition members supporting the way he used to be able to. So that has definitely been a change in that direction.

**HON. S. USKIW:** So from the point of view of trying to derail - an appropriate term I think - this particular proposal you believe that the position of the Saskatchewan and Manitoba Governments is the right one to bring that about?

**MR. L. LEWYCKY:** Yes, Mr. Chairman, and I think it's come at, what I would say is the most opportune time, the most important time, at the most crucial time in the whole debate, I think this support has arisen at this time.

**MR. CHAIRMAN:** Mr. Downey.

**MR. J. DOWNEY:** Mr. Chairman, I just have a couple of questions for Mr. Lewycky.

One of the problems that I see, and I would ask Mr. Lewycky to confirm, or deny, if this is a true assessment, that one of the major problems with Western Canadians and, particularly the farm community today, in the way in which this Crow rate issue is being dealt with, is the basic lack of trust that the farmers have in the Federal Government in Ottawa, and the Trudeau Government, is that correct?

**MR. L. LEWYCKY:** Yes, Mr. Chairman. I would concur that there is this basic lack of trust in the government. But I think I would probably even add to that, to say that it's not only the lack of trust in the government but we're getting international opposition. We've got the United States Secretary of Agriculture complaining that Canadians are taking up their wheat exports and things along that line. So that is a major aspect, perhaps the most important aspect, but I would think that there are additional factors that I see from the vantage point of where I sit.

**MR. J. DOWNEY:** That I think is correct, I would agree with that, that there is a lack of trust, and I agree with you, as well, Mr. Lewycky.

A further question to you Mr. Lewycky. One of the other things that you referred to in your presentation, that it was that same Trudeau Government that gave us Pepin that gave us a metric measure; gave us record high unemployment; gave us record high interest rates; gave us record high inflation; and as well gave us the Crow rate. Was it your party in Ottawa that joined with the Liberals, in 1979 I believe it was, to upset the Joe Clark Government?

**MR. L. LEWYCKY:** No, actually that's not a historical fact. What happened is that the Liberals joined the NDP.

It was a New Democratic Party motion complaining about a lack of trust in the government, the Conservative Government at that time, and the Liberals were convinced to agree; but that's only my assessment.

I think if you follow the assessment of one of your colleagues, Mr. Epp, he would say that really the problem lay with the Social Credit members not being able to receive some sort of agreement from Mr. Clark at that time with regards to his proposals and his budgets.

**MR. J. DOWNEY:** I'm sorry Mr. Lewycky that I misunderstood it. The point I was trying to make, which you helped me make, is that it was a joining of forces, the Liberals joining the New Democratic Party in Ottawa, that upset the Joe Clark Government which was not doing all those things, that we're now saying that there's lack of trust the present government are doing, then

it was the Liberals that joined the New Democratic Party.

So you have to take the responsibility then for the precise kinds of changes that are being presented by the Trudeau Government in Ottawa, changing the Crow rate, the unemployment, and all that that we have had through the joining of forces with the Liberals and the NDP, then you have to take that responsibility I would assume.

**MR. L. LEWYCKY:** Well, not necessarily, Mr. Chairman, because I find that in this Crow debate that the Conservatives have been joining the NDP in opposition to the changes of the Crow, too, and we have nothing in our constitution, or in our own human relations that prevents the Liberals, or the Conservatives, joining us whenever we have a good true statement or anything that they feel that they would like to support.

I find that in the House, in many committees, there's many times when your Conservative colleagues will support me, and there's other times when the Liberals will support me, and there's other times when even the independent member supports me on certain measures.

**MR. J. DOWNEY:** Well, in retrospect, Mr. Lewycky, would you now have not felt better of supporting the Conservative Party than of supporting the Trudeau Government in Ottawa?

**MR. L. LEWYCKY:** Well, on many occasions, Mr. Chairman, I find that there has been, on major issues, no difference between the Conservatives and the Liberals. I'm delighted that the Liberals, at that particular case, chose to express their opposition to some of the measures in that budget. And I'd be even further delighted if some Liberal members today, especially the Liberal members from Quebec, the 74 MPs, if they decided to support us in this opposition to the Crow change. So at no time will I discourage people from supporting my position.

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

**MR. CHAIRMAN:** Mr. Plozman.

**HON. J. PLOHMAN:** Just to follow up, Mr. Chairman, on that. I hate to get political, but since Mr. Downey has raised this, Mr. Lewycky, is it your understanding that Don Mazankowski was also introducing changes to the Crow rate during the short life of the Clark government?

**MR. L. LEWYCKY:** Well, yes, I would have to agree with that, and even in this current Session there have been various members of the Official Opposition who have been supporting Mr. Pepin in terms of changing the Crow.

But, as I indicated, some of these members are coming on board and they are recognizing that, as they listen to their constituents, that really this is not a partisan issue, this is something that in the political economy of Canada, the west has always had to be, as it were, "hewers of wood and drawers of water." In our own country, we have not really been getting the type of benefits that we deserve, and when we think

about competing with other countries, the amount of subsidies that are given in other countries, whether they be our competitors in Australia or other countries in South America, people are really realizing that it's not a partisan issue, and I think that the number of people that signed the petition, people were there from all political parties who were signing the petition. In fact, there were even some people there who didn't vote in the last election.

**MR. CHAIRMAN:** Mr. Plozman.

**HON. J. PLOHMAN:** Yes, I think, Mr. Lewycky, that is why we're all here together, to try to steer this thing to the boards and prevent the changes that Pepin is proposing. I wonder if you feel that it would be more advantageous or most advantageous for this committee to present its report directly to the Standing Committee on Agriculture in Ottawa when that opportunity arises. Would that be an effective way of making representation as opposed to just sending a report to the Federal Government on our hearings?

**MR. L. LEWYCKY:** I think that definitely would be probably one of the best ways for this standing committee to indicate by note to the chairman of the Standing Committee of Agriculture that you do have this representation from the Province of Manitoba representing all political parties and that you would like to make the presentation before the Standing Committee of Agriculture, or at that time there might even be introduced a special committee to deal with this particular problem, but that definitely would be one of the best things that could be done from this committee.

**HON. J. PLOHMAN:** Mr. Lewycky, you mentioned on the second page of your brief that railways will opt for variable rates allowing them to favour the communities they find more profitable to serve. Could you give some specific examples where you think this might occur in our area here?

**MR. L. LEWYCKY:** Well, I guess that statement is sort of almost like the tip of the iceberg; it's impossible in a short statement to cover the large area of concerns that we have with regard to the rail line abandonment and variable rates. Within the last month, I've had an analysis prepared for me with regard to just the CTC hearings and, frankly, I've been shocked, and what I did is an analysis of all the CTC hearings that have been held in Western Canada because, you know, one of the arguments that the government presented is that if there were a western wing of the CTC, it would be more responsive to the west and more responsive to the concerns of the farmers. I've been actually amazed at the large number of hearings - way out of proportion - which have always gone in favour of the railways or the railway presentation to rail line abandonment, and I guess my shock in Manitoba has been that not one favourable result has accrued to the Province of Manitoba with regard to the railway abandonment hearings here.

We've also done analysis by panel members who were sitting on there, and so forth, just to compare



how they voted on all of those issues and we've been troubled by this fact that the government is having, as it were, its cake and eating it too and they will be providing no additional benefits. There is nothing with regard to the Port of Churchill. There's nothing expressed for any lines that have been scheduled for abandonment, and so we anticipate this is exactly what will happen, that there will be further money fed to the main line branches and that there will be these variable rates, people will have to truck their grain for further distances, and this is one of the fears that we have with this Pepin proposal.

**HON. J. PLOHMAN:** Do you feel that if the Pepin proposal goes through as it is, that it will affect negatively any chance for a successful appeal on the abandonment of the Winnipegosis subdivision from Sifton to Fork River which is scheduled to be abandoned by, I think, December, 1985. If this plan was implemented now, would that affect any chance for a successful appeal so that we could retain that line? As you know, there are appeals going forward from yourself, from a number of the people that presented at that, and from the Manitoba Government who presented at these hearings. Will this negatively affect that in terms of how they can operate that line?

**MR. L. LEWYCKY:** Mr. Chairman, I feel that there are these possible implications, and so I am concerned just about the whole thrust of the government and probably I should even have mentioned earlier when the Honourable Member for Arthur complained about this lack of trust in the Liberal Government, is that many farmers coming to my constituency office right now are complaining about Revenue Canada and how they have been redefining farmers. They've been redefining situations where people have probably been forced to work off the farm to supplement their farm income, and the number of cases that we're getting in our office is really astounding. So this whole area of trust is probably one that I would underline and just the fact that there will be these negative impacts.

I am sometimes troubled even when people in my own party might indicate that the average income in Canada is \$18,000 or \$20,000 or whatever thousand dollars it is, but if we take a look at constituencies like Dauphin, the average income is nowhere near half of what other people expect it to be in all of Canada when you take in the wealthier Eastern Canadian cities.

So we are concerned that even an additional \$1,000 or \$2,000 of transportation costs is just going to force many many farmers down under and especially if you want to get younger farmers coming into farming, many people just fail to realize that you don't get food just by going to Safeway or someplace like that. It has to be grown by farmers.

**MR. CHAIRMAN:** Mr. Uruski.

**HON. B. URUSKI:** Thank you, Mr. Chairman. Mr. Lewycky, following up on the questions that were asked by Mr. Uskiw, do I understand in terms of the time limit that has been talked about in Ottawa or the deadline in terms of the proposed passage of changes to the legislation as June 30th, if that is to be accomplished,

does there have to be co-operation that is agreed upon between the opposition parties within the House of Commons or do the rules, other than the closure motion, or have there been changes in the rules that will be able to put that forward, or can that only be accomplished by sort of a time limit on debate and those kinds of things?

**MR. L. LEWYCKY:** What the government calls time allocation and closure really are no different in substance. They just have a new way of expressing the previous power that they had a closure. The government can always introduce closure because they have a larger number of people, a majority, but the legislation, because it's statutory, would have to come through the House; it would have to pass the House. I think we can mount adequate pressure to keep putting on the pressure, but really an ounce of prevention is worth a pound of cure and representations like this from your Legislature to our Federal House before it even comes on the agenda are the things that I think are the most likely to succeed. Because the Minister has said that he would introduce it before summer, before July 1st, we know that this is sort of the deadline that he himself has set, and we know that anything beyond this time would just be too close to an upcoming election and they wouldn't want to risk — (Interjection) — Losing all their seats. There are two seats in Western Canada; but also the opposition they've got from Quebec, the Quebec MPs, which is fairly considerable, and right now one of the things he's trying to do is just to figure out how he can buy out Quebec and he hasn't succeeded.

**HON. B. URUSKI:** Seeing that we have fairly close unanimity in Western Canada, or at least the two provinces, composing about 70 percent of the grain shipments that are shipped for export in Manitoba and Saskatchewan and the two political parties, both government and opposition in Saskatchewan, and both government and opposition here, giving forward a unanimous approach in battling these changes. Is it possible that kind of unanimity might be able to come about with the two opposition parties in the House of Commons coming up with a unified approach in working towards a united front in opposition to the changes that are being proposed?

**MR. L. LEWYCKY:** Well, frankly, that's what I foresee coming. I don't know what implications, you know, the leadership debate in the Conservative Party might have on focusing in on this type of opposition, because a lot of their energy is of course being spent on working towards resolving their leadership difficulty. But I'm sure, especially with the feedback I've been getting, the Conservative Party is finding that it would be detrimental to the west to support the Pepin proposal. I think at this stage they would probably be concerned about being seen as supporting Jean-Luc Pepin when they've had to oppose his voluntary metric measures.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNES:** Mr. Lewycky, what is the Crow rate here in Dauphin?

**MR. L. LEWYCKY:** I don't know if I would have all my statistics here. For Manitoba - I don't know, I think you'll have to ask one of the further witnesses who is directly involved in it. He can probably even show you his information. — (Interjection) — It used to be 18 cents. Okay, maybe someone else could help you on that.

**MR. C. MANNESS:** Well, I'll accept that, some 10 cents a bushel, let's say. Do you feel farmers in the Dauphin area are prepared to pay any more at all than 10 cents a bushel?

**MR. L. LEWYCKY:** Well, the farmers that I have talked to have pointed out to me that the increased cost that they are facing with energy, with interest, with fertilizer, are far more than they are able to shoulder even at this time, that any additional transportation cost is just something that they would not really be able to bear if they're going to survive. I'm talking about people who have made representations to me and I'm talking about farmers that I have been talking to.

I'm sure you could always find an individual farmer, here or there, who would have a different position but the vast majority, those who have written in and those who signed the petitions, have really felt that this is about the only stable thing that they can depend upon. It is the only thing they can trust, something which is in the statute at the present time, and that they would not be prepared at this time to give additional payments.

**MR. C. MANNESS:** Mr. Lewycky, I'm wondering then if you can tell me what the Canadian taxpayer, who in '83-84 would probably be paying on behalf of all of us that farm, the farmers around Dauphin, and indeed the grain of my own very production, and indeed the grain growers of Morris, will be paying some 70 or 80 cents a bushel as a total cost to the Canadian taxpayer, how long do you feel the Canadian taxpayer will be prepared to totally support the movement of grain above 10 cents a bushel, for instance, in moving grain from Dauphin.

**MR. L. LEWYCKY:** I think that maybe what is required is more of an educational process whereby the Canadian taxpayer realizes what is happening in other countries, realizes that this is in the national interest that we have grain to export and that this type of support that they give the farmers should not be viewed negatively, because you can very easily point out how much type of support we have been giving to every other sector, whether it's the automobile sector or whether it's been other sectors in Eastern Canada. So I think that these things have to be taken in context, and as a member who represents an agricultural riding I don't find any difficulty defending this support for the Crow rate in other constituencies which may have a majority of labour members, for example.

I could give you one illustration. One of our members, Sid Parker, represents totally a labour riding. It's an area where there is a lot of coal deposits, and the coal people have been putting pressure on him to withdraw his support for the Crow because they're saying that if there isn't a change in the Crow rate they won't be able to ship more coal because the railways wouldn't be upgrading their area, and as a result people in his

riding wouldn't be employed. He has been defending the Western Canadian farmer, as a New Democratic Party member representing a Labour riding, he has been pointing out that it's to their benefit in the long run, as well, and it's to their benefit with regard to the whole food production policy in Canada.

So I personally do not have any qualms about supporting a federal thrust, which means that we are assisting the farmer in transporting the grain, when the export of grain is for the benefit of our balance of payments for the benefit of all Canada.

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

**MR. CHAIRMAN:** Mr. Uskiw.

**HON. S. USKIW:** Are you familiar with the amount of money that the railways are committed to spend by way of improvements to the rail system over the next decade?

**MR. L. LEWYCKY:** I've read various figures that have been made even in the Pepin proposal, but I'm not sure how much of this can actually be called new funds. When the Speech from the Throne was introduced in 1980, we were promised a Western Development Fund, some \$4 billion. We haven't seen 1 cent of this and I'm not really sure that all this money that is being promised for the west is anything new; that is something that the government is now introducing.

**HON. S. USKIW:** Mr. Chairman, what I'm really getting at is the projected Capital Expenditures on the part of CN and CP related to improved economic conditions and related to a change in the Crow rate. The figure that had been given to us was \$16.5 billion that will be invested by CN and CP by the year 1992, of which \$9.5 billion will be in Western Canada; \$4.5 billion in Ontario; \$1.4 billion in Quebec; and \$1.1 billion in the Atlantic provinces. Now, that's an awful lot of money. Out of that total of \$16 billion, of which only \$9.5 billion would be spent in Western Canada, the revenues from grain transportation alone, given the Crow is abolished and the new system put in place, will be \$13.3 billion over that same period of time, against \$9.5 billion that will actually be spent in Western Canada.

Now, are you aware that out of that the farmers are going to be paying \$4 billion through the new rates over the next decade, and the taxpayer of Canada, through the government, will be putting up the other \$5.4 billion, which means that the railways will be putting up no money of their own to develop their new railway system in Western Canada? Are you aware of that?

**MR. L. LEWYCKY:** I appreciate your specific mention of those figures; I'll have to make sure that I get all the details. Basically, in my appearance here today, I wanted to let the committee be aware of representations that I have received in my office with regard to what the farmers personally have experienced. I know that some of the other members of my caucus have investigated in greater detail some of these projections of the Federal Government, and the Honourable Member for Winnipeg-Birds Hill, for example, has said that some of the projected increases in the Transcona

shops have already occurred. So it's not really new jobs that are being created, there has been a little bit of bookkeeping there that is not necessarily the type we would agree with.

**MR. CHAIRMAN:** Mr. Uskiw.

**HON. S. USKIW:** One further relevant point that I'm sure members of Parliament must become aware of if they're not. I don't know whether you have ever seen this particular chart . . .

**MR. L. LEWYCKY:** No, I guess I haven't.

**HON. S. USKIW:** . . . indicating the increased tonnages that will have to be moved over the next decade of coal, potash, sulphur and grain. In this chart, it indicates that grain production and exports will increase by 16 percent over the next decade. Coal, potash and sulphur exports tonnage movements will increase by 84 percent.

**MR. L. LEWYCKY:** I would say, I am aware of the fact that the increase in the coal would be much greater than the increase in the grain export, yes.

**HON. S. USKIW:** The 16 percent increase in grain exports from 10 million tonnes now to 19 million tonnes by 1992 are indeed very optimistic projections. It means that we are almost going to double our grain production, and that may be so, but I consider them to be extremely optimistic.

Given what those figures represent and, given the fact that the CPR owns the coal fields in British Columbia, and that's the coal that wants to be moved to the ports in Vancouver in order to be exported to Japan, don't you think it is a glaring distortion of who should pay the bill to upgrade the railway line in order to have the CPR move the coal that it owns, which was given to it when the original Crow agreements were entered into, or statutory agreements on freight rates were entered into; don't you think it's odd that the taxpayers and the farmers should put up the entire cost of capital expenditure over the next decade?

**MR. L. LEWYCKY:** Yes, yes. In fact, we have had members of our party raising that particular question in the House of Commons and asking that this whole situation be looked into; that these coal fields which were given at that time to the CPR, you know, that this is really unfair that Canadians should be paying for the export of coal for the benefit of the CP.

**HON. S. USKIW:** Would you not consider the fact that there should be some responsibility on the developers of those new mine fields to pay a proportionate share of the railway upgrading that is required in order to move those tonnages, as opposed to burdening the Canadian taxpayer and, indeed, the Canadian western grain producer with that responsibility?

**MR. L. LEWYCKY:** I would concur with that, Mr. Chairman, wholeheartedly. I definitely feel that a fair share of the load should be carried by the CPR; there's just no doubt about that. We have raised this matter in the House of Commons and I know that this is

something that one of our members from the Kootenay area is going to be raising even further.

**HON. S. USKIW:** My last question. Given the fact that Saskatchewan and Manitoba political parties have coalesced on this issue, can one expect a similar coalition in the House of Commons on the part of the Official Opposition and the New Democratic Party?

**MR. L. LEWYCKY:** Yes, Mr. Chairman. I am very optimistic that this can occur, in fact, optimistic enough to say that I am optimistic that this will occur, not that it merely can occur.

**MR. CHAIRMAN:** Mr. Blake.

**MR. D. BLAKE:** Thank you, Mr. Chairman. I would like to follow on the same lines as Sam's last question. I was interested in your comments regarding the Federal MPs from the Province of Quebec. It has been said that a great number of the Quebec MPs, if they weren't MPs, would be unemployable and it is unlikely that they would bite the hand that feeds them. Do you really feel, knowing the blind adherence of the Liberal Party members to party discipline, that they will bolt ranks and support in a move to stop the Pepin plan?

**MR. CHAIRMAN:** Mr. Lewycky.

**MR. L. LEWYCKY:** Their support for our position, frankly, at this time is coming within caucus; it's coming with the pressure that they have been putting on Jean-Luc Pepin to the extent that one of the reasons why he hasn't introduced it to this date is because of this pressure. If we can continue to work together, give them more information, then they will understand their position more clearly.

Frankly, we have also had very strong representation from Quebec agricultural associations. This representation has been made to the Quebec members of Parliament, so I would say that, at this time, this support is coming but it's coming, not in the visible arena of Parliament because that issue isn't before Parliament at this stage, but it is coming in their caucus. That I know simply because he has not introduced this legislation to this date, and that's been the reason.

**MR. D. BLAKE:** I think when it comes down to the crunch and the whip is on that they will all fall in line and support the government.

**MR. L. LEWYCKY:** But they know that if they keep on the pressure there that it won't be introduced. While they tow the line much more readily, say, than the Conservatives might, yet they have to respond to their constituents because, I mean, one of the things I ask many backbenchers, as I said, surely I can't be unique. I mean, you have people coming to see you, what are they telling you? This is the type of response that they've been giving me, so that's all I can say at this time.

**MR. CHAIRMAN:** Mr. Harapiak.

**MR. H. HARAPIAK:** Mr. Lewycky, you've mentioned briefly that the Port of Churchill was brought up in

discussions and none of the funds that are presently designated for capital costs in Western Canada are scheduled to go to development of the rail line to Churchill. I am wondering if there has been any special emphasis put in by the Manitoba members of Parliament and also the other members of Parliament from the grain-producing belt whose people would really receive the benefit of having that port used to a greater degree. Has there been any special emphasis put on that lack of funds designated for modernization?

**MR. L. LEWYCKY:** Mr. Chairman, we have made a note of this to the Minister and I know there have been several MPs that have indicated this. At this moment, I would have to think hard just to see which ones it is that have said that, but I know that there has been representation made. I think it's been made from Saskatchewan as well as Manitoba because, as you're aware, a lot of Saskatchewan grain goes out the Port of Churchill.

**MR. H. HARAPIAK:** In the plan that the New Democratic Party has put forward, one of the recommendations has been paying the railroads out-of-pocket expenses for hauling grain. I am wondering how you would monitor or keep track of the railroad's expenses. Would you go on trust?

**MR. L. LEWYCKY:** One of the ways that I personally would be interested in is having a greater freedom of information, because right now we have a great deal of difficulty in terms of obtaining expenditure costs - not only we but, for example, VIA Rail have a great deal of difficulty obtaining actual costs from CNR and other corporations. So with a greater degree of freedom of information, I think that would be one of the tactics that we feel would be important.

Then I think that it's high time that we re-examined the entire formula that is being used. There are formulas that have been passed with regard to how the costs can be allocated to certain branch lines and how costs can be attributed and how costs can be shifted from central operations to branch line operations, and I think that whole formula needs to be reworked, reviewed and revamped.

**MR. H. HARAPIAK:** . . . grain transport agency was talked about being created, should they be given the authority to get this information from the railroads? Should that be part of their mandate?

**MR. L. LEWYCKY:** Well, I think we have a little bit of problem even with the new grain authority. I think that proposal is a bit of concern to us because we're just wondering what the relationship of it would be to the Canadian Wheat Board. Some of our constituents went with me to the Canadian Wheat Board in March and we spent a whole day there and I know that the Canadian Wheat Board couldn't answer our questions. They really don't know what the relationship would be with that new transportation authority. So, we'd have quite a few questions about how the new transportation authority would function.

**MR. H. HARAPIAK:** There's one other area I'd like to touch on briefly and that was under the Agricultural

Development Initiative. They said they would provide assistance to farms and farm organizations for activities leading to improved increases of production in the area of livestock. Do you see a potential market for much increased marketability for livestock?

**MR. L. LEWYCKY:** Well, one of the things that has been said in the House repeatedly quite a bit with regard to this is that the Minister is going to guarantee that the Eastern people have their own industry, and I'm really not sure that we can anticipate any greater advances in terms of Eastern markets for Western products; I'd be very skeptical.

**MR. CHAIRMAN:** Mr. Uskiw.

**HON. S. USKIW:** I'm wondering whether your people in Ottawa have been able to compare American freight rates with Canadian Crow rates, as they are, in order to draw out what would happen if we simply went to a compensatory or commercial rate for the hauling of grain. The information I have would indicate that to move grain under the American rates, at the present time, from this area to Thunder Bay would cost \$1.55 per 100 pounds for a single car loading, against 18 cents under the present Crow rate, and if you take a unit train, of a minimum of 52 cars, under the American freight rate system today, the rate per 100 pounds of grain shipped would be \$1.32, compared to the 18 cents that we are now paying, are you familiar with that?

**MR. L. LEWYCKY:** Mr. Chairman, I know that our transportation critic has done a considerable amount of study on this, has done some comparisons, and I know that some of our Saskatchewan members have actually gone down to the States and have gotten specific information on this, and I know that information would be available, but I certainly don't have it with me today.

**HON. S. USKIW:** These figures are based on approximately 620 miles from Thunder Bay, more or less.

**MR. L. LEWYCKY:** I'm afraid I wouldn't have anything else I could add to that.

**HON. S. USKIW:** Would you believe that we can realistically look at farmers paying a commercial transportation rate, even with subsidy dollars to help them, that is not tied to the price of grain?

**MR. L. LEWYCKY:** No, I would have a great deal of difficulty, and I have a great deal of difficulty with any projected costs that the government would put out there. We have a good example of their deficits and what they projected their deficits would be and they are far beyond what their projections were, so I really would have problems with that.

**HON. S. USKIW:** Let me rephrase that last question then. Would it be reasonable to assume that farmers would be prepared to pay more if indeed that extra was tied to an increased price in grain, that is, in other

words, a freight charge would be a percentage of what the value of grain is, as opposed to a straight commercial rate on transportation? As a matter of principle not as any particular format.

**MR. L. LEWYCKY:** Yes, as it is a matter of principle, sure. If they got more for their grain, they would be prepared to participate, but in many cases I have to see that as being somewhat hypothetical because I spent a week in Washington with the United States Department of Agriculture and I know that there is no way that they're prepared to let the Chicago price of wheat go up to, say, \$5.00 a bushel. So, I know that there won't be any increase; the initial payments have been lower this. The Canadian Wheat Board have indicated to us that the prices will be lower this year. So, to me, this isn't something that I can anticipate.

**HON. S. USKIW:** If these rates are, indeed, compensatory rates, and I have to assume that the market system in the United States is dictating that they are, what would be the result, in your view, of farmers having to pay 80 cents a bushel to move their grain to Thunder Bay, instead of 18, even if the Federal Government picked up half of it? They have an initial payment now of \$4.12 projected for next crop year, of which, even if they only had to pay half of that, you'd have to knock off an additional 20 or 30 cents.

**MR. L. LEWYCKY:** I just honestly don't see how farmers in this area would be able to afford that. I just can't see it in this area.

**MR. CHAIRMAN:** Any further questions from members of the committee? Seeing none, Mr. Lewycky, on behalf of the committee, I'd like to thank you for having come here today and made your presentation, thank you.

**MR. L. LEWYCKY:** I'd like to thank the committee, Mr. Chairman, for your questions and your comments.

**MR. CHAIRMAN:** The next name on our list is that of Mr. Doug Cowling. Mr. Cowling please.

**MR. D. COWLING:** Mr. Chairman, members of the committee. I must indicate to you, first of all, that I'm speaking on behalf of myself, I don't represent any particular group.

**MR. CHAIRMAN:** Speak right into the mike. If you have difficulty hearing at the back would someone just raise your hand and I'll make sure we get things adjusted. Please proceed.

**MR. D. COWLING:** Mr. Chairman, members of the committee. I would like to, first of all, indicate that I'm speaking here on behalf of myself as a grain producer. I don't speak on behalf of any particular organized group.

First, I would like to compliment the members of the committee and the Provincial House for the position that has already been taken regarding the federal initiatives with regard to transportation, and also compliment the House and this committee on the interest being shown in what I consider to be an extremely crucial issue.

We are facing a federal initiative in an area of clearly federal jurisdiction which has extremely serious implications for the grain industry in Manitoba and for the rest of Western Canada for that matter.

It is imperative that the provincial governments in the west do whatever they can, even though it is beyond their legal jurisdiction to control the issue, to have those federal initiatives modified in ways that will allow the grains industry in the west to continue to survive and to prosper.

Those federal initiatives - and I think we have to be aware of this and probably most of you gentlemen at the table are already aware - are being spearheaded by a very capable and very wily and a very experienced Federal Minister, Mr. Pepin. He is an expert negotiator and a past master at playing both ends against the middle. As ironic as it may seem, he has done a remarkable job so far in my mind of persuading at least some people in Western Canada that it would somehow be in their best interests to draw their pistol and shoot themselves in the foot.

I noticed, when I sat down initially, a look; perhaps a little bit of dismay on the part of some of the committee members here when the handouts started around. I don't intend to unload this whole load of hay on top of your head here this morning. I do want to submit these papers to you, though, for your consideration. They were prepared starting about last fall. The first one, entitled, "Pay Farmers to Produce Grain - Pay the Railroads to Transport It" was a presentation that I made to the United Grain Growers' annual meeting in Banff in November. It was prepared initially in response to a UGG questionnaire regarding payments to producers, which I think the title indicates I am not entirely in favour of. It was prepared and presented there. That paper was also distributed to the Saskatchewan and Manitoba Wheat Pools and to Pepin, Argue and Mr. Whelan.

The next four, which tend to go in sequence as they are entitled, they were prepared about Christmastime prior to Mr. Pepin's formal announcement and particularly in response to the Gilson recommendations, and deal with specific aspects of the Gilson proposals. Those are entitled, "Who Pays for the Gilson Recommendations and How Much?" and that was an attempted breakdown of costs; the second, "Value Added Industries and the Gilson Formula"; the third, "Neutralization of the Crow Benefit and Direct Payments to Producers"; and the fourth dealing with the broader topic of "Rationalization of the Grain Collection and Delivery System in Western Canada - Variable Rates." Although I don't want to impose those all on you in written form, I think I do want to bring the main thrust of those papers before your committee and perhaps give you a chance to react to them or question me on them, or whatever.

Now, first of all, my position has been from the outset that I do not oppose adamantly any change to the Crow. That has never been my position. What I am opposed to, and adamantly opposed to, is the specific kinds of changes that are being foisted upon us by this particular legislative package that appears to be coming before the House. If I am going to explain my position to you, I think I have to go back to what I consider to be the initial assumptions made by the Federal Government before this debate really started.

Those assumptions were handed down in terms of guiding principles to Mr. Clay Gilson before he started his interviews and preparing his recommendations, and they influenced those recommendations. I think they are still lying behind Mr. Pepin's legislation, at least as near as I can tell from what his February announcement would indicate, and those assumptions I reject out of hand. It seems to me that we've gone astray in this whole matter, not perhaps because of intent on a lot of people's part, but because we started with a set of assumptions that were invalid right from the outset. I will outline those assumptions to you, and I think they are blatantly obvious in the instructions that were sent to Clay Gilson and in other pronouncements made by Federal Ministers on the matter.

The first one, that the statutory rate and the Crow benefit that grew out of it was somehow a sort of a political plum that fell by accident into the hands of western grain producers that they don't really need; that has not been taken away from them heretofore because nobody has had the political courage to tackle us on it; and that the sooner we can do it in, the better. I think that's the first assumption that lies behind the discussion thus far, at least at the Federal Government level.

The second assumption, which I also reject out of hand, that the Crow benefit represents an extraordinary and unacceptable distortion in the economy of Western Canada. That distortion has worked to the disadvantage of secondary processing in the livestock industry and that distortion must be removed at the earliest possible convenience.

The third assumption, which arises out of the second, and this is the one that I think has trapped a good many people in Western Canada, is that if we could do in the Crow in some fashion, that all of a sudden God would be back in his heaven and all would be right with the world and there would be tremendous leaps forward particularly in the livestock industry in Western Canada. I reject that out of hand.

To illustrate the point that I am making, which is that those assumptions have dominated the discussion all along, I will refer to Page - it's in the Gilson recommendations. The Minister specified seven principles and Clay Gilson is outlining the parameters within which he was to conduct his consultations and make his recommendations. The Minister specified seven principles as a basis for arriving at a solution, and the fifth one reads thus - and they use that word "distortion" over and over and over again until I have been so sick of hearing it - "The economic distortions within the agricultural sector, stemming from the statutory rate, should be reduced without recourse to any new transportation subsidies for crops not covered by the present statutory rate, or for goods such as livestock and processed agricultural products."

That seems to me to have within it those three assumptions that I don't accept. If I can try to deal quickly with them: the first, that it's somehow a political plum that nobody has been able to tackle; that we don't need it; that it is unjustified; that we ought to do it in as quickly as we can. If we can't, if it's not politically saleable to do it in day after tomorrow, then we fiddle it away. We monkey around; we neutralize it. We de-index it, which is what Mr. Pepin did in February.

He says, the increased inflationary costs will be picked up by the farmers. His contribution will be relative to

the fixed dollar. That means that the extent of his contribution or the percentage of it to the total transportation bill will decline. As years go on, it becomes less and less and less significant; our contribution becomes higher and higher and higher, due strictly to inflation if for no other cause. He has limited the amount of volumes to which this freight subsidy is applicable to 30.4 million tonnes, expecting and fully anticipating - and if he doesn't bankrupt us, we probably will get to 36 million tonnes by 1990. That has further depleted the contribution in terms of total costs that he is making. He is prepared to dilute it and water it down in terms of this dribbling out on an acreage basis to Western Canada - neutralizing they call it - and I refer you to a bit of a joke in one of the - here - to do with neutralization, but that's the objective: to do it in.

If we look at where we have to sell our grain, we have to compete in an international market and that has been referred to a couple of times today, but that has to be emphasized over and over again. Who do we compete with? We compete with the European Common Market. We compete with our friends to the south. The European Common Market subsidizes their producers extensively, pays them prices that we couldn't even get on the international market, let alone transport it there beforehand. They supply a lot of their own market, excluding us from that market, with that subsidized grain. Worst of all, when their producers get overly keen and produce a little extra, they dump it on the world market for whatever they can get and we have to compete with that. If we look at where we have to sell our grain, we have to compete in the international market, and that's been referred to a couple of times today, but that has to be emphasized over and over again. Who do we compete with? We compete with the European Common Market. We compete with our friends to the south.

The European Common Market subsidizes their producers extensively, pays them prices that we couldn't even get on the international market, let alone transport it there beforehand. They supply a lot of their own market, excluding us from that market with that subsidized grain and, worst of all, when their producers get overtly keen and produce a little extra, they dump it on the world market for whatever they can get and we have to compete with that. And we have to compete or we don't sell.

If we look across the line, just to pick obvious examples, they have a program and everyone is aware of it where they take surplus production that is going to drive the market down below a certain level, their Federal Treasury buys that up, stores it at the federal expense, puts the money in the hands of the producers - they've got the money. This year they want acreage taken out of production to reduce their inventories. What they're saying, in fact, to farmers, the grain that we bought from you last year, if you don't sell anything this year, we'll give that back to you and buy it from you again. Well, if that isn't a subsidy and a distortion, I don't know what on earth it is.

If we look at the American transportation system, and that's been referred to, their rail system is not subsidized, but they have an inland waterway system, the whole of the Mississippi system, taking grain by the barge load out of the mid-western United States

to be loaded in New Orleans. The whole cost of maintaining that inland waterway system is carried by their Federal Treasury with no charge back to the users of that service at all, or very minimal, and if that is not subsidized transportation I don't know what subsidized transportation is. I've missed the meaning of the word someplace or other.

We've got to compete with those people and we have to have some help from our Federal Government to do it and we deserve it. It's about that simple. And really, I'm not favourably disposed to a federal proposition which says to me that my Crow benefit, which is not anywhere near the subsidy levels that are available to most of my competitors, is something that I ought to apologize for, or feel guilty about, or do in at the earliest possible convenience, or shoot myself in the foot about. I reject that.

The second assumption, which I think we have to deal with, is that the Crow benefit somehow or other represents an extraordinary and unusual distortion in the development of a free market in Western Canada. Now, my goodness, and we're talking about the railroads in the same breath, about this free market business. Now, I'm prepared to compete with everybody else if we're all in the same pool of water, but I don't want to be in there swimming away and everybody else around the outside with their life jacket on.

Our subsidy is no more a distortion than any of 101 other examples of injections of government money for specific purposes into the economy and into the agricultural sector, as well, in a number of different ways. They cannot give us a marketing board; supply and management is no good to grain producers. Our government, nor we either, can control the price in that international market. We can't control that.

The only way they can help us is by helping keep down our cost of production which includes the cost of moving that grain to terminal position. That's the only way they help us and I would suggest that I oughtn't be apologizing for that and that they oughtn't to be hollering "distortion" and expecting me to swallow that.

Now, the third assumption which has had some appeal in Western Canada and I tried to fight against that in Banff without much success, but it's the notion that if the Crow benefit is removed and dribbled away in odd ways, one way or another, and farmers, in terms of their actual cost of grain movement, pay the full compensatory rate or very close to it, that will reduce the cost of grain on the Prairies and I think there's no doubt about that. But secondly, that will put, particularly the livestock industry in Western Canada, in a more competitive position and that we will see a remarkable growth in red meat production, in dairy products, in poultry and eggs, and who knows what, and we'll just be going to town. I think that's Mr. Pepin's Achilles' heel and he's starting to find that out in the east and has over a number of months.

There is not room in North America for a great expansion of livestock production. There may be some offshore that we haven't explored yet and we've got CANAGREX in the wind to try to seek those out, but I think we'd be a little naive to expect dramatic moves in the short term, even there. We're facing import quotas in the states on red meat right now. If that great increase is going to occur, where is it going to be sold? I think that it can't be an overall increase, because there is

very little more market. So that if there is going to be an increase in the west, it's going to have to come at the expense of a decrease in production in Eastern Canada, and I would suggest to you that a Federal Government that has not one caucus member west of Winnipeg is not likely to put in place and maintain without other compensatory little jiggings around a system that is going to massively move livestock production from Quebec and Ontario, and even from the Maritimes, but particularly Quebec and Ontario, to Western Canada. Their colours are showing all the time.

If I can just quote for a moment from last week's Western Producer. This is an article by Barry Wilson to do with announcements that are being made by Federal Ministers in Eastern Canada. "Quebec Liberals Ready to Deal on the Crow," it's entitled. This is talking about the Quebec caucus and what they're trying to foist within the Quebec caucus as compensatory sort of measures that they will find acceptable in terms of what's going to happen in Western Canada. The MPs also want the Livestock Feed Board of Canada to have stronger powers to control feed grain in Canada and they want the Canadian Wheat Board to be stripped of its influence over the flow of feed grains to the east, with the power shifted to the Livestock Feed Board of Canada, dominated of course by people from other than Western Canada. The Liberal MPs are also demanding that the government establish the dairy policy that they have had in the wings with \$100 million in annual subsidies to Quebec farmers on a permanent basis.

This is an industry that already has supply management and production quotas and price setting by legislative power to maintain their cost of production already as part of the pricing-out formula. We're talking about another \$100 million and these are the people who are looking down their noses and hollering "foul" at Western Canadian grain producers because of the tremendous distortion that their Crow benefit has provided in the economy of the west.

The Quebec caucus demands on the Crow were determined at a March 26th meeting in Quebec City. Mr. Pepin, who has been quite vocal in the past on the marvellous things that were going to happen in the livestock industry in Western Canada, has been fudging that a little bit lately and has been very quiet about it in the east. In fact, he's saying, well, we're really not sure now whether that will happen or not. It might, he says.

One of the proposals for the Federal Feed Board supported by Quebec MPs and Board Chairman Roger Perreault is that it be given the power to act as the only authorized middleman and buying agent between the Wheat Board and the Quebec feed users. Mr. Andre Ouellet, who has been meeting with members of the Quebec caucus and other interested farm groups, has made a number of very clear promises to them. He's held out the possibility that the Wheat Board might be stripped of its power to issue import and export permits. He has indicated to them that the Domestic Feed Grain Policy is under review, but that the Corne competitive formula will be maintained for movement of Western barley into the eastern market.

One Alberta MP summarized it thus. He says what really worries me is that Quebec forces, Quebec farmers and the Quebec Liberal caucus have ideas of making

a trade-off on the domestic feed grain policy that will, in fact, safeguard their interest of a supply of subsidized feed grain from the Prairies for as long as they need it or want it. Now, if that's the case, then I really can't see much room for a massive movement of livestock production from Eastern Canada to the Prairies.

I don't want you to think that as a farmer I have a particular vendetta against Eastern Canadian farmers; I think they're farmers just like we are, they've got a living to make. But I think in our negotiation, with regard to our Crown benefit, we ought to be aware that we shouldn't expect a Federal Government so dominated by those interests to sell those interests out and somehow give us a little prize because I don't think they have that in mind at all.

I think, other than questions from the committee, that's really all I have to say; that's the basic thrust. One further comment, if I might make it, as a producer observing this ongoing discussion it seems to me that there is one group - and I'm not a Pool member, have never been, my allegiance is United Grain Growers and in the long term will remain there - but on this specific issue it seems to me that the group that has done the most to try to be sensible and reasonable in this discussion, and at the same time defend the essential interests of Western Canadian grain farmers, it has in fact been the Pools - the Manitoba Wheat Pool, the Saskatchewan Wheat Pool, and the Alberta Wheat Pool. They are still carrying on that fight; they are maintaining offices in Ottawa at considerable expense to their organizations. They have, in the past, and are still taking a lot of flak from various quarters for their troubles, and I think they deserve and need as much help and support as they can get.

Whatever other initiatives that this committee might decide, in its wisdom to take, I think one of them ought to be to try to support the Pools as much as they can because I think their initial positions are sensible and reasonable; I think they are ones that we could live with, and they do defend our essential interests and they need some support. Thank you.

**MR. CHAIRMAN:** Thank you very much, Mr. Cowling. Questions from members of the committee.

Mr. Uskiw.

**HON. S. USKIW:** Yes, Mr. Cowling. I wonder if you could identify your place of origin.

**MR. D. COWLING:** Grandview.

**HON. S. USKIW:** Grandview?

**MR. D. COWLING:** Yes, a farm, south and west of Grandview.

**HON. S. USKIW:** You're a farmer then, are you?

**MR. D. COWLING:** Yes.

**HON. S. USKIW:** I want to compliment you on a very comprehensive presentation. I think that's one of the best ones, in fact the best one, we've had so far coming from a producer of grain in the hearings that were held to date, in fact, I can even include the hearings that

were held last spring. You've done a remarkable job of analysis and impact study from your perspective on this whole question.

**MR. D. COWLING:** Thank you.

**HON. S. USKIW:** Are you familiar with the campaign that the Minister of Agriculture for Canada has had under way in Eastern Canada, a public relations campaign trying to dampen the concerns of Quebecers. Have you ever seen this particular ad?

**MR. D. COWLING:** No, I haven't.

**HON. S. USKIW:** Well, that's the Crow flying away, and then you have the poultry industry depicted there, the livestock industry, the hog industry, and the ad is paid for by Eugene F. Whelan, Minister of Agriculture for Canada. They spent many hundreds of thousands of dollars in this ad just in the Province of Quebec.

I think it'd be worthwhile to read into the record just what the ad suggests. It said "the introduction of the new plan to replace the Crow rate will have no adverse effect on the dairy, poultry, and egg industries, all of which are protected by their own marketing boards. The higher transportation costs will prevent western pork and beef producers from becoming more competitive with the eastern counterparts in their traditional markets." That's what the ad says.

So, in essence, what the ad is, is a response to concerns in Eastern Canada that by getting rid of the Crow Western Canada will become more competitive than Eastern Canada in the supply of livestock and poultry products to the Canadian market. They are giving them assurances that will not happen.

Now, I would want to ask you if you recall how the coalition to get rid of the Crow was formed? There are some 20-odd organizations that got behind the idea of getting rid of the Crow, initially, on the premise that if we just got rid of this thing we would produce all the livestock for all of Canada and displace production in other parts of Canada. In other words, we would become the agricultural industry of Canada right here on the Prairies in all commodities. That's really what the idea was supposed to be all about.

This was sold to many Prairie producers of livestock commodities on that basis. It's been so oversold that it scared the wits out of Eastern Canadian farmers and that's why the Canadian taxpayer has to now do this to convince the Eastern Canadian farmer that, no, the western farmer is not going to get an advantage even if the Crow goes. I think that's a very important point and I'm just wondering whether you're fully familiar with how this developed?

**MR. D. COWLING:** I have not followed it, of course, in a formal way, but I am involved to quite an extent in conventions of one sort or another to do with agricultural policies, and development of opinions and directions and, of course, you could sense this right along.

That was, I would suggest, the most firmly held conviction on a part of a large number of people in Banff in November, as a positive aspect of the proposed changes to the Crow. I am convinced that it's an



absolute red herring and, of course, it'd be a terrible mistake to underestimate Mr. Pepin. He's played this game for a long time and he knows exactly how it's done and he's been remarkably successful up to now, even with this issue. But it's unfortunate, in my opinion, he's not acting in a way that's more consistent with at least my interest as a grain producer.

**HON. S. USKIW:** Are you aware that Mr. Jean-Luc Pepin has indicated on more recent occasions that if there is going to be an expansion of non-grain production in agriculture in Western Canada that that expansion will have to look to offshore markets in order to take place?

**MR. D. COWLING:** Well, I haven't heard that but I'm not surprised because I don't see any other possibility, and those offshore markets have been explored considerably already.

The only other thing is CANAGREX which is still sort of sitting in the sidelines as another possible avenue for pursuing offshore sales and, you know, we oughtn't to expect miracles from that, it may have some positive effects but it's not going to absorb massive increases in production.

**HON. S. USKIW:** Can you then - and you don't have to if you don't wish to - but would you consider answering the obvious question that comes out of your presentation, and that is, why is it that UGG takes such a pro-Pepin stand? You being a member, the UGG is saying, no, they're on the wrong track.

**MR. D. COWLING:** Do you want to hear a very interesting story about a fellow that's completely off base and without a country?

I have been known in the past, and at least some people here won't be surprised to hear that I voted Liberal a number of times in the past you know. I have been a UGG member and supporter for 25 years. I can't agree with the federal Liberal position; I cannot agree with United Grain Growers position, and I was in yesterday, I flew to Winnipeg for another meeting, and I was in to the UGG office, in Winnipeg, and spent time again with Mr. Hehn and other people there discussing it again. I cannot agree with the position they have taken so where I touch down when this is all over I'm not sure; I hope I still have the farm.

**HON. S. USKIW:** Were you ever on any executive position in UGG?

**MR. D. COWLING:** Oh, I am at the moment but I want to make . . . I am not with the company directors, official directors, I'm on the local board in Grandview, I'm chairman of that board. But I want to make it very clear that UGG has been fair with me; they have allowed me an opportunity to speak to the group at the convention in November; they have listened to me. I'm not speaking on behalf of UGG, they're position is different than mine, and I have assured them that I will not use their platform to put forward my own point of view.

**HON. S. USKIW:** Thank you very much.

**MR. CHAIRMAN:** Mr. Plohman.

**HON. J. PLOHMAN:** Mr. Cowling, you stated clearly that there are three basic assumptions in the Pepin plan that you did not agree with and you've made that very clear here today and I think those are the assumptions that we can use to derail that plan and to stop it right now, but I don't know that you've said - or maybe you can offer some solutions - you've said that you don't really consider the Crow sacred, that it can't be talked about. So, what kind of direction, are we being premature at this time, do you see just stopping this proposal and then coming up with more discussions later on? What do you see as some of the solutions?

**MR. D. COWLING:** I see the position that the Pools have been advocating for some time as not being the best of all possible worlds, but something that we could live with. I am adamantly opposed to this business of payments to producers which simply dribbles the money away, dilutes it and creates a false sense that we are getting something for nothing, because for every dollar of the block amount that is set aside as a Crow subsidy that is fiddled out in acreage payments, the freight rates being charged to producers will have to go up at least that much, if not more, because of the administrative costs of dribbling this money out and supervising it and policing it and seeing who is collecting on acres that are growing Timothy and who is collecting on who has raspberries and whatever. It is just a horrendous problem.

I spent an hour and a half yesterday with one of the people who is operating on that very committee to decide how they are going to decide what kinds of acres get what kind of payment. It's a tremendous problem. They've been at it all winter and they're not half done yet. The one thing he did assure me, and you might be interested in this, is that my worst fear in that particular area was that Manitoba was going to get a really black eye because they were talking initially about allotting the Crow benefit roughly on the basis of the way it has historically gone, province by province.

Now, in Manitoba's case where we have already a pretty heavy concentration of special crops, our allotment would not be in proportion to our cultivated acreage. If we get that kind of allotment and then divide it by the total acres and dribble it around, the fellows growing export grain are really going to take it in the ear. Now, I understand that idea has been dispensed with for the time being.

**HON. J. PLOHMAN:** Well, without getting into any more detail on that, Mr. Cowling, I just want to join with what Mr. Uskiw said in congratulating you and thanking you for your excellent presentation. I think that if it was possible to take along a private citizen to any presentation that we'd make with the Federal Government, I would like to see you included on that.

**MR. D. COWLING:** Thank you.

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

**MR. C. MANNES:** Thank you, Mr. Chairman. I, too, would like to add my compliments, Mr. Cowling, particularly to your understanding of the issue.

Building then on a question by Mr. Plohman, you seem to indicate support for the Manitoba Pool, indeed, the Western Pools' proposals.

**MR. D. COWLING:** Yes.

**MR. C. MANNES:** I have before me a copy of a letter that went to all of us as producers, dated February 23rd, where they indicate their alternatives and quite clearly, as you indicated, they fall into five areas and briefly they are: the method of payment, the upper limit of the 31.1 million tonnes and what grains should qualify for the statutory rate and the fact that the producers should be protected from freight cost increases and the fifth, the government should maintain its previous commitment to branch line buildup.

Now, through the Pool proposal I don't see any indication whatsoever that they are prepared to back away from the commitment of producers paying more money. Indeed, even under the Pepin proposal, the 3 percent, and although they may argue 4.5 versus 6, the phasing in up to the 50-50 split, nowhere in that listing of alternatives do I see where they as an organization are prepared to not accept that formula. Do you concur with that?

**MR. D. COWLING:** One of the problems in this whole thing, it seems to me, is that we've had agricultural groups who have gone to the bargaining table, prepared to try to be sensible and reasonable and they've been stick handled in the process because they've gone from bottom line to bottom line to bottom line.

Clay Gilson came out with a set of recommendations that were beyond the bottom line of most of the agricultural groups that made representations to him. I tried to suggest that he was forced there because of the principles that were outlined to him to guide what he was going to do. He then submitted a set of proposals to Mr. Pepin who negotiated again and may have fiddled with it a little more so that I'm starting to wonder if it isn't dangerous to try to set out a reasonable position at this point because your reasonable position then becomes the position from which you start to negotiate again. And that is not a good negotiating strategy and I've had some experience with that.

But in any event, I think that what is reasonable is that we set out a block of money, either in terms of actual dollars or in terms of a percent of the value of grain, something like that; that we earmark that; we use it to assist grain producers; we don't holler "distortion" and fiddle around with those kind of just namecalling that is meaningless; that we use the money specifically for that purpose and if we have to add somewhat to the list of statutory grains, so be it. And that we use it for that purpose and that it be either a constant percent of the total cost of moving grain or that it be a dollar value initially and that there be an equal sharing of inflationary cost increases from here on, I think we could live with that. Or that it be a combination of the two which would carry in it sort of a net for us to fall into if the prices dropped too far, that it puts a ceiling on how far those freight costs can go.

But that kind of thing. And not get wandering off the track on these other businesses about payment to producers and all the other marvellous things we're going to do including almost manufacturing cars in the west, if we can just do that. Stick to those kinds of issues; deal with the specific problem that we have and have to deal with and deal with it in a sensible way and in a way that both the Federal Government and the Western producers can live with.

**MR. C. MANNES:** Thank you, Mr. Chairman. Just one more question. I suppose I agree with basically everything that you've said, but again, I would like you to be a little bit more definitive. Do you feel that we've crossed the barrier, or at least Manitoba Pool and those people that support your position, have crossed the barrier in recognizing and identifying the Crow rate benefit, first of all, and you know, accepting the \$650 million plus the fact that it should be paid out by some method, a method which we would have to call the Gilson formula at this point and that they're prepared to basically accept those two basic concepts?

**MR. D. COWLING:** The Pools?

**MR. C. MANNES:** Yes.

**MR. D. COWLING:** As I understand the Pools' position, they have not accepted a payment to producer concept, not that I'm aware of.

**MR. C. MANNES:** Right, I agree with that.

**MR. D. COWLING:** It's that, among other things, that I object to. I don't want to leave you not being specific. Maybe I can read from one of these, just a brief portion of it.

Okay, I'm in the section that I'm talking about, who pays for the Gilson recommendations and how much, and I'm trying to summarize in sort of quick phrases how I see the thing having developed. And I concluded with what a bewildering and self-defeating exercise this has turned out to be. The only reason that the majority of farmers - and I include myself in there - the only reason that the majority of farmers in Western Canada agreed to renegotiate the Crow - and I think there was a consensus of sorts on that issue a year ago - the only reason that we agreed to renegotiate the Crow was to allow for a revitalization of the railways. It became apparent that without more adequate compensation, the railways would not be able to move the projected volumes of export grains to terminal and I think the majority of farmers were prepared to participate with the Federal Government in sharing some of those increased costs to ensure that we did have a system that could get our grain to terminal.

Then we proceeded to Dr. Gilson's comprehensive solution. It would revitalize the rail system but, in addition, it would redesign the whole agricultural economy of Western Canada by encouraging the growth and expansion of secondary processing and value-added industries as well as the livestock industry. How is that to be achieved? Clearly by lowering the farm gate price of statutory grain. That's how it is going to be done, in fact, by removing part if not all of the

economic incentive for production of the very commodities that we are revitalizing the railways to carry. How can you come around in a circle any more than that?

So as long as they are being fair and reasonable with us, I think we can negotiate a set-up where we share those costs, but let's deal with a specific problem and not get wandering off on sidetracks that are meaningless.

**MR. CHAIRMAN:** Further questions, Mr. Manness? Any other members of the committee? Seeing none, Mr. Cowling, on behalf of the committee, as some members have already expressed, I would like to thank you for a very articulate and well-researched presentation. Thank you very much.

The next name on my list is Mr. Gordon McPhee. Mr. McPhee.

We'll just wait one moment, until the Clerk has distributed the copies. Please proceed, Mr. McPhee.

**MR. G. MCPHEE:** Thank you. Mr. Chairman, members of the committee, ladies and gentlemen. I come before this committee representing myself as an interested farmer.

To me, I am interested . . .

**MR. CHAIRMAN:** Mr. McPhee, could you please pull the mike up just a bit. We're having a little bit of trouble. You might have to speak just a little louder.

**MR. G. MCPHEE:** Okay, I'll try again. Is that coming through?

**MR. CHAIRMAN:** No, they are still having trouble. You're going to have to pull it up a little closer. It might make a difference.

**MR. G. MCPHEE:** How's this, Mr. Chairman. Is that coming through?

**MR. CHAIRMAN:** I am getting nods from the back of the room. That sounds good. Thank you.

**MR. G. MCPHEE:** Okay, thank you very much.

I come before this committee representing myself as an interested farmer.

To me, I am interested in the total system from my farm gate to the customer's door. However, unfortunately the system between my gate and the ships at our ports has not been able to capture an increasing share of the world wheat market. In fact, our share has gone from a one-time high of 25 percent down to 17 percent a couple of years ago and, since the embargo, has come back to the neighbourhood of about 20 percent so far this year.

The recession may have temporarily benefited us as farmers in that the decrease in rail tonnage by other major users has freed up rail equipment for hauling grain.

It is interesting to note that during the last 15 years or so, the United States in spite of whatever their problems or advantages, have been able to transport and market major increases in total grains over the period. We, in Canada, have not kept pace with that track record.

It would appear that the system in Canada has not been able to attract sufficient capital to replace, modernize and change our transportation and handling system to adjust to significantly larger volumes.

The system, restricted by quotas, has effectively lowered production by translating our lack of ability to transport and handle into lowered production and more summerfallow. There is increasing evidence that there are serious problems of erosion, salinity and lowered capacity to produce nitrogen in our soils in Western Canada.

We, in Manitoba, should be concerned if there is a carryover of grain because if we look at the average yields in Manitoba and Saskatchewan over the last 10 years, and use the average seeded acres in various crops and summerfallow in 1981, using a farm of 1,000 acres, growing only wheat for easy figuring: The average Saskatchewan farmer would run out of grain with a 14.6-bushel quota, whereas you or I in Manitoba would need a 19-bushel quota to run out.

I feel that it is important that each cog in the system from my farm gate on be motivated to do the right things at the right time. This would include elevators being motivated and encouraged to set up adequate sidings and loading equipment so that they are not at a disadvantage.

On the part payment of the Crow benefit to farmers, if we are concerned that at some time the government favour may change and this payment disappear, then I really wonder how we as farmers can be assured that the government will continue to put adequate payments to the railways in order that the system continue?

I guess I would recommend that we develop a rapid, effective method to measure how effective our system is presently, forecast how we may do in a future block of time, as well as compare it with our competitors. This would also cover the world market shares; ability to pick up spot market premiums, while still maintaining a reasonable cost of the complete system from the farm gate to the customer's doorstep. This measuring and forecasting, if done effectively, should motivate the right things to happen.

In closing, I feel that we are fortunate that this country allows and encourages us to have strong debate from all directions on issues such as the Crow. This allows all parties to work towards the best possible decision. I am proud to live in Canada and be part of this process.

Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Thank you very much, Mr. McPhee. Questions from members of the committee?

Mr. Uskiw.

**HON. S. USKIW:** Mr. McPhee, can you identify the specific location and your occupation?

**MR. G. MCPHEE:** I farm and I live at Dauphin.

**HON. S. USKIW:** Do I read from your brief accurately that you are in fact in favour of the Pepin proposal?

**MR. G. MCPHEE:** The basic concept, yes. There are some changes such as perhaps the cap should be removed, things like that.

**HON. S. USKIW:** Could you indicate to me how you would conclude that there is some advantage in paying

farmers a grant so that they in turn can pay the railways a higher rate for transporting the grain that you are now transporting under the present arrangement. What advantage would you have in having it paid to you, which you then have to pay the railways, instead of the government should be paying the railways to do the same thing?

**MR. CHAIRMAN:** Mr. McPhee.

**MR. G. MCPHEE:** In answer to question Minister Uskiw, I would say that, if I have that money, I can modernize from my farm gate to the system, whatever needs to be done. If there are additional costs by doing that, whether through road taxes, or whatever, then perhaps I can more effectively deal with them. I can also, perhaps, as a farmer, as a group, decide where I wish to market my grain.

**HON. S. USKIW:** Well let's get down to the specifics. If it's going to cost 80 cents a bushel to move wheat from here to Thunder Bay, what advantage is it to you to receive 40 cents, by way of payment from the Federal Government, the other 40 cents being paid by the Federal Government directly to the railway? What advantage do you get out of getting that 40 cents into your pocket for a short period of time and then paying it at the other end when you ship your grain?

**MR. G. MCPHEE:** I guess the advantage would be that I might decide to do it somewhat differently than I might be forced to do the other way. I might use an example of an individual at Winnipegosis, where they are quite concerned about the issue at the present time. If we look at the difference in rail freight, as the present situation is, for them to haul to Dauphin they can't pay nothing of the cost, really, because the rail freight difference is really nothing, but if one had those extra dollars in one's pocket, perhaps it would assist in that area.

**HON. S. USKIW:** I'm a little confused when you use the term "extra dollars," because the dollars that are going to be paid are the actual freight costs that are going to be charged by the railways in the first place, so they're not new dollars. They're merely a means of funnelling the dollar through to the railway system in order to transport your grain. Where do you get the impression that there is added revenue, or new money?

**MR. G. MCPHEE:** As I understand it, what we're talking about is the Crow benefit and how it would be either paid all to the railways, or all to the farmers, or some way in between. It would seem to me that the individual - if it was paid all to the railways - living at Winnipegosis would pay basically the same freight rate and it all going to the railways, then . . .

**HON. S. USKIW:** Perhaps, Mr. Chairman, it's too complex, but if I may, you don't have to try to elaborate on it if it's a bit complex in that area but, in terms of principle, I'm trying to understand that logic and it so far has escaped me.

The original logic was - and that's how this issue was sold - that you might chose to expand your livestock

production, poultry production, and therefore consume your grain on the farm and not pay a transportation charge in the grain at all, and therefore, western Canada, as it was originally sold, the idea was sold, we would have a billion dollars of new production of commodities, other than grain, but who would be consumers of grain? In other words, you would create a market for the grain here. But that's been thrown out the window by the Government of Canada who say, no way are we going to see western competition erode eastern Canadian production.

So I fail to see any advantage in doing what we're doing, except to give the railways the money they need. If that is so, then why don't we just send them a cheque once a year by the Treasurer in Ottawa; the Minister of Finance could simply send the railways a cheque for \$651 million and not set up a whole bureaucracy.

Do you realize what they are doing at the moment? They are asking every municipal assessment region in Prairie Canada to open their books to their employees, who are yet to be hired; will go through the assessment of every farm in western Canada and, on the basis of the assessed value of land, they are going to be calculating the amount of subsidy for rail transportation. On that basis, the cheques will then be paid to each producer. We're setting up a huge bureaucracy to do this and all it takes to satisfy the needs of the railways, if we agree that they need more money, and if we agree that we're going to subsidize them, is to send one cheque from the Finance Minister of Canada - two cheques. one to the CNR and one to the CPR - instead of 175,000 cheques. Wherein lies the logic of the proposal?

**MR. G. MCPHEE:** Well perhaps we could come back to the Winnipegosis situation again. It would seem to me that if one pays it all to the railway the difference in the freight rate between Winnipegosis and Dauphin, assuming the rail line was still there, would be very little, if any, really. Under those circumstances, if the rail line was taken out, there would be no real encouragement or incentive to haul from Winnipegosis to Dauphin or Ethelbert, whatever. I guess the arithmetic, as I see it, would be such that it would encourage the individual from Winnipegosis to go to Ethelbert or Dauphin - make the choice - and would also perhaps make it a little easier for him.

**HON. S. USKIW:** Would you agree to a principle, the principle being that bulk commodities, by and large, should be moved by rail, and that the trucking industry should merely be there to compliment the railway system, rather than to compete with it?

**MR. G. MCPHEE:** I would agree that, where the rail system has a economic advantage, they would deal with the bulk commodities; where the trucking system has an economic advantage, then they would deal with the bulk commodities.

**HON. S. USKIW:** I believe you're agreeing with the principle then, because that's in fact what it means. What you want is a transportation system where all the links are doing their own thing but which compliment each other, in order to get your grain to the port of

the cheapest possible cost. That should be the objective, to have a most efficient system. It gets your bushel of grain to Vancouver or Thunder Bay at the lowest possible cost, which then gives you the highest return for your grain, as a result of that. We don't have any argument with that.

We do have an argument with the proposition that farmers would be free to choose to ship by rail or by truck, both going the same direction, when there is a rail line in place, because the trucking industry has to depend on the taxpayers of Manitoba to build their roads for them. The railroad is already built and paid for and it's being subsidized by the Federal Government which is the taxpayer again. Would you agree that it doesn't make sense to subsidize the railway system and then subsidize a road system alongside of the railway system with traffic moving in the same direction and to the same market, competing with each other, trucks versus trains?

**MR. G. MCPHEE:** Okay, first of all, Minister Uskiw, I would agree that we need to have a reasonably efficient transportation system. I would also say that transportation system has to do the right thing at the right time, be able to expand as necessary and take advantage of whatever comes along. As I look at our particular system in place now, up until the present time, compared to some competitors, it has not been able to have that elasticity.

The other part of your question, I guess I would see in the future feeder systems by truck moving into our rail network and, perhaps, this may assist in that economic advantage. Whether they should be hauling grain from middle Saskatchewan to Thunder Bay trucks, that's another question that would need detailed economic study.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNES:** Thank you, Mr. Chairman. Mr. McPhee, I follow the logic of your presentation and I can tell you that every time that I begin to challenge some of the Pepin proposals I always fall back upon the difference of what a 10 bushel wheat quota means to me, as a farmer, versus a 20 bushel and that guides me on to, again, try and accept the process thus far and try to work for changes to make it a better deal.

I guess I will ask you, do you support completely the formula of Pepin, or would you like to see the so-called safety-net process which is beginning to be developed, whereby there is some guarantee that freight rates do not surpass a certain fixed percentage of grain prices? Could you see yourself supporting that, or indeed, would you support completely the Pepin formula?

**MR. G. MCPHEE:** From some of the figures I have seen it appears as though the Gilson formula, as I understand it, would go for a very long period of time before it exceeded 8 percent.

**MR. C. MANNES:** Well, in the sense of a safety net tied to it, or are you saying, given all the conditions and all the assumptions that one can bring forward, that indeed our cost of transportation would not surpass 8 percent of the total selling price of our wheat, for instance?

**MR. G. MCPHEE:** That's how it looks to me, yes.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNES:** No, that's fine, I think we understand what we're asking each other.

**MR. CHAIRMAN:** Did you have a further response, Mr. McPhee?

**MR. G. MCPHEE:** No.

**MR. CHAIRMAN:** A further question, Mr. Manness?

**MR. C. MANNES:** No.

**MR. CHAIRMAN:** Mr. Plohman.

**HON. J. PLOHMAN:** It seems from what you're saying to Mr. Uskiw that, really, in the interests of an efficient rail line transportation system, you are in favour of the abandonment of branch lines like the Winnipegosis subdivision, would that be correct?

**MR. G. MCPHEE:** I think the important issue is how do we develop a complete system and if the economics and the situation dictates that a particular line that presently and sometime in the future cannot be economically put together then I think we need to decide (a) whether we're going to subsidize it, and to what extent; or (b) whether we develop a different system for those products in that area?

**HON. J. PLOHMAN:** Do you assume then that the system is going to be efficient for those producers and farmers in the areas that are served by those branch lines?

**MR. G. MCPHEE:** I guess I look at it this way. If I live at Winnipegosis and if I feel the full impact of the cost between my point and the eventual consumer, it is easier for me to make the decision than if I only feel a portion of it and someone else pays the major portion.

**HON. J. PLOHMAN:** Do you think it would be possible, under the Pepin proposal, if payments were made to the farmers that the small farmers in that area of the Rorketon area, or Rice Lake, or Mossy River area would be able to afford trucks, the size of trucks they would need to make it efficient to truck their grain to Dauphin in an efficient way so that they could continue to operate?

**MR. G. MCPHEE:** Well, I guess, as I see the grain collection system, in the past we've had most of the elevators on railway tracks. There may come a need in the future to have some elevators off track, possibly deliver as a collection point for farmers in the area, and perhaps to move from that collection point to, say, Dauphin or wherever, perhaps may need to be semi-trucks, larger trucks. So, it would not necessarily mean that each individual within the area would have to buy a large truck.

**HON. J. PLOHMAN:** Just finally, who would pay for that? I just would like a clarification because there are

obviously extra costs there and if they charge more for, in other words, variable rates, so that they can charge more in the areas such as Winnipegosis than they would for Dauphin, who would pay for those extra increased rates?

**MR. G. MCPHEE:** Do I understand you mean the extra costs of the truck from wherever to Dauphin? That is a problem when the individual seller does not feel the whole cost of the moving of grain, where one part is subsidized and the other isn't.

**HON. J. PLOHMAN:** I would agree, Mr. Chairman, that is a problem.

**MR. CHAIRMAN:** Mr. Uskiw.

**HON. S. USKIW:** Yes, there is one other question that arises from your suggestion, Sir, and that is that we're talking about what is economically reasonable to do, in terms of how we relate the various modes of transportation, one to the other, to make it efficient overall. Snavelly has indicated that the railways need 20 percent return on their capital; that they're entitled to that and we should make sure they get it, and 20 percent on operating overhead. That's what is in the Pepin package.

Now Manitoba's highway system is probably valued in the order of \$3 billion. Do you think the Manitoba Government should try to make its highway system pay on the same formula that Snavelly says that the railways must have their pay, 20 percent on capital and 20 percent on overhead and that should be charged to the users of the highways.

**MR. G. MCPHEE:** I guess it's unfortunate that I do not have the figure that it costs to move a bushel of grain from one of the towns we're talking about under the present system. I suspect it is because of the low volume, the present method is fairly expensive per bushel.

**HON. S. USKIW:** My question to you, sir, is that if you want the option of trucking your grain, do you want it on the basis that you are prepared to reflect in what you pay for your truck licence and the fuel you burn in that truck, the costs of - not all of it, you, but your share of the costs of the road system that has to be in place for that to be available to you on the same formula that Snavelly has decided that the railways need in order to make them viable? Do you think that would be a fair way of deciding which is more economic? In other words, should we then do an analysis of what the highway system costs and what the farm portion of that cost is to move the tonnages that have to be moved on those highways, and apply that formula, and then charge a rate that would pay for itself?

**MR. G. MCPHEE:** I guess the easiest way to answer that would be, the present commercial rates that truckers have to deal with presently in hauling whatever kind of freight - and I guess I could go back to an example of some special crops that I wanted to move from Dauphin to Portage la Prairie. This took place a few years ago. It so happened that with our truck size,

we would need to make two trips with a gas truck. The rate that the trucking company charged to move it in one trip was about the same amount as the fuel costs would have been for me to move it.

I don't know whether presently the trucking system for other commodities covers the full cost of the roads, or whether the general public subsidizes it.

**HON. S. USKIW:** Perhaps I can assure you that if we were to only spend the amount of revenue that we get from the trucking industry to maintain our highway system, then we wouldn't have a highway system. You and I are all paying for it in one form or another and that's why, when we do comparisons of various modes of transporting your production and we say that we want to have an efficient production and efficient transportation system, then to measure that efficiency, one has to build in all of the costs on both sides before we can decide which mode is cheaper to use. You agree with that? Yes. Okay, fine.

**MR. CHAIRMAN:** Further questions for Mr. McPhee? Seeing none, Mr. McPhee, on behalf of the committee, thank you very much for appearing here today.

**MR. G. MCPHEE:** Thank you.

**MR. CHAIRMAN:** Since it is past 12:30, our normal hour of adjournment and recess, is it the will of the committee since there are just two presentations left to continue and have lunch after adjournment? (Agreed)

Our next presentation will be by Mr. William Yacentiuk. Please come forward.

**MR. W. YACENTIUK:** Right now?

**MR. CHAIRMAN:** Yes.

**MR. W. YACENTIUK:** Members of the committee, ladies and gentlemen . . .

**MR. CHAIRMAN:** Sir, could you wait for one moment until the Clerk is finished distributing the copies.

**MR. DEPUTY CHAIRMAN, H. Harapiak:** Mr. Yacentiuk, would you proceed, please?

**MR. W. YACENTIUK:** Members of the committee, ladies and gentlemen, my brief is a short one. I feel like the guy in a Volkswagen following a Kenworth with a pup trailer, but I tried to get a few details down.

I used the crop production costs estimates from the Department of Agriculture for our area. It quotes price costs of \$166.60 per acre for wheat production. With wheat prices coming down, we will need a higher yield to break even. If we have to pay five times Crow as forecast for 1990, our wheat would be worth 75 cents less per bushel. Then we would realize a price of less than 3.50 a bushel. The breakeven yield to cover costs for this year, 1983, is 39 bushels per acre for wheat. If we have to pay freight rates at the level proposed after dismantling the Crow, we would have to increase our wheat production to a minimum average yield of over 50 bushels per acre by 1990 and we would have to sell it all in the year of production.

There has been much publicity about how we can increase farm livestock production if the Crow goes. Who are we going to sell this increased production to? Just last fall, the American border was closed to meat from Canada because we had filled our quarterly quota. Just imagine what it would do to local prices if we had more meat to sell. The prices last fall went downhill in a hurry when the embargo came into effect.

There is no consensus of opinion that the Crow rate must be abolished. Just who are endorsing abolishing the Crow? It's sheer greed. The Manitoba Farm Bureau and the executive of the Manitoba Cattle Producers Association are gripping their hands with glee when they think of the cheap feed grain they will obtain and naively think that there will be a wonderful market for the cattle somewhere, they hope.

The Crow must stay, otherwise we will not be able to stay in the business of farming.

May I add a few more comments?

NOTE: See Graphs showing Crop Production Costs 1983 and Guidelines (Dollars Per Acre) re Mr. Yaceniuk's presentation at end of sitting of committee.

**MR. CHAIRMAN, A. Anstett:** Certainly.

**MR. W. YACENTIUK:** I have been in the local committee of the Pool. I am chairman of the sub-district council here in Dauphin and I have been sort of really not going along with the Pool, shall we say, head office on their assessment of the problem. But now, when I stop to think of it, I think that they are wrong.

There seems to be money for everything else, but we have to pay the shot. The CN and CP, they have been making money. They did not fix the rail lines and now they want us to do it or else they'll close the tracks. Another thing, I have been on the retention committee for the Fork River Pool. We had quite an exchange going with the CN lawyer there. They quoted a figure of, oh, 291,000 as direct expenses. When I took that figure about, there was only 39,400 some-odd-dollars that they charged directly to expenses of the rail line. They said, it cost \$7.1 million to rebuild that line to Fork River to hopper car standards, and it would cost \$250,000 a year to upkeep that new rail line. So I questioned him on that and I asked him, why is it that an 85-year-old line, the bridges are falling down, the tracks are gone and everything else - they spend less than 40,000.00. On a new rail line, your expenses would be 250,000.00. He said, oh, we like to protect our investment. What kind of answer was that?

That's the same thing that we get with the Crow rate. These figures aren't worth - well I don't know what they are worth anyway, but not to my figuring.

Well, I think I'll close it at that and I'll try to answer any questions.

Thank you.

**MR. CHAIRMAN:** Thank you very much, sir, for your presentation.

Questions by members of the committee for Mr. Yaceniuk?

Mr. Uskiw.

**HON. S. USKIW:** Yes, have you any idea, sir, as to - you're with Pool?

**MR. W. YACENTIUK:** Yes.

**HON. S. USKIW:** Yes - as to what expectations Pool has with respect to whether or not the Federal Government is indeed going to amend their proposal to coincide with the views of Manitoba Pool on the question of payments and a number of other things, the limitation on tonnage that is now in the present proposal and so on, have you any idea what hope there is within Pool that that may happen?

**MR. W. YACENTIUK:** I have no idea, really. Actually the membership, they went along with that thing until they really thought about it and now I think that most of the members are thinking the Crow must stay.

**HON. S. USKIW:** You, as a Pool member then, are you of the opinion that we shouldn't do anything, or that we should make some changes but not the proposals that we are now looking at?

**MR. W. YACENTIUK:** We shouldn't make any changes, but not at the way we're going. Direct costs to the rail lines are the results of inflation and the farmers are not responsible for any inflation. Why should we pay for it?

**MR. CHAIRMAN:** Further questions for Mr. Yaceniuk?  
Mr. Downey.

**MR. J. DOWNEY:** The assumption that you make in your brief is of concern to me, and I'm sure to the majority of the farm community, that by 1990 your calculation of an increase of 75 cents per bushel less for moving of grain, or the cost of moving of grain would reduce the cost of the price you're getting to \$3.50 a bushel. If that, in fact, were the case and all the other costs were to increase as they've done over the last few years, would there be many farmers left to have any grain on their farms at that point if that isn't changed or increased?

**MR. W. YACENTIUK:** I think there'll be a lot of us on welfare.

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

**MR. CHAIRMAN:** Further questions?  
Mr. Plohman.

**HON. J. PLOHMAN:** Mr. Yaceniuk, I guess one of our concerns with the possibility of variable rates is that there will be further abandonments of branch lines. I know you've been involved, you mentioned, with the Fork River retention line and with presentations to save the Winnipegosis subdivision. Do you think the Canadian Transport Commission in Ottawa, who makes the decisions, adequately considers the impact that abandonment will have on the local farmers, on the local economy, on the employment situation and so on of the communities affected, adequately takes that into consideration when it made decisions to abandon branch lines?

**MR. W. YACENTIUK:** They do not take anything into - their minds seem to be made up. Can I interject a

note here. When we had that hearing in Fork River last fall the commissioners wanted to know if they could get to Fork River by car. That's as much knowledge as they have of the situation there. I think we have a highway system into that community.

**HON. J. PLOHMAN:** I think that illustrates the kind of concern that I have, Mr. Yacentiuk. Thank you.

**MR. CHAIRMAN:** Further questions for Mr. Yacentiuk for members of the committee? Seeing none, sir, thank you very much for coming here today and making your presentation.

I have been advised by the Clerk that Mr. Nestor Slonowsky, Reeve of the R.M. of Ethelbert, is here to present a resolution passed by his R.M. council.

Reeve Slonowsky please.

**MR. N. SLONOWSKY:** Mr. Chairman, members of the committee, ladies and gentlemen.

First of all, I'd like to introduce myself as a farmer in the Garvin area. It's in the north end of the R.M. of Ethelbert. I'm a grain farmer and a livestock producer. To my right is our Secretary-Treasurer of Ethelbert, Mr. Dave Dohan. We have a very short presentation here and as you know in our situation, me being the Reeve, we represent the majority, not 100 percent majority, but the majority of the people, so these were the concerns of our people of the R.M. of Ethelbert. I'll have Mr. Dohan read our resolution and make a comment later.

**MR. CHAIRMAN:** Mr. Dohan.

**MR. D. DOHAN:** Thank you, Mr. Slonowsky. Okay. Is there life in this one?

**MR. CHAIRMAN:** I think that microphone was fixed. I think it'll be better now. Use them both, sure.

**MR. D. DOHAN:** As you'll notice in here, it's not a brief or a submission. It takes the form of a resolution and this was passed at our council meeting of April 14th, which was yesterday.

Moved by councillor, Richard Natrasony, seconded by councillor, Pretula:

WHEREAS agriculture is the backbone of this great country; and,

WHEREAS in these very difficult times with depressed returns for the farmers produce, and with a very depressed economy as a whole the Federal Government is proposing major changes into the historical Crowsnest Pass freight rates; and

WHEREAS should the changes be implemented as the Federal Government and railways see fit, then an additional uncalled financial burden will be placed upon the present troubled farming sector; and,

WHEREAS senior levels of government are providing farmers and other sectors of the economy with assistance in forms of programs and other financial grants to keep these sectors from going under;

THEREFORE BE IT RESOLVED that we, the Council of the Rural Municipality of Ethelbert, hereby go on record strongly opposing any changes to the Crow rate; and,

FURTHERMORE BE IT RESOLVED that we strongly stress to the Federal Government that they take a close serious look into this very important issue, not only for the benefit to the farming sector, but for the country and its people's sake.

MAINTAIN THE CROW FOR FUTURE GENERATIONS TO COME.

That was carried 4 to 0.

Thank you. Now I guess we will try and answer some questions. Between Nestor and myself, you probably know we are not politicians to any great degree, but we will do our best.

**MR. CHAIRMAN:** Thank you very much, Mr. Dohan.

Any questions by members of the Committee for either Reeve Slonowsky or Mr. Dohan?

Mr. Uskiw.

**HON. S. USKIW:** First of all, I would like to correct your impression that you are not politicians. Everyone is a politician, they just have to be elected.

**MR. D. DOHAN:** Well, it so happens that in my capacity I am appointed.

**HON. S. USKIW:** But in any event, I would like to ask you whether or not - are both of you involved in agriculture?

**MR. N. SLONOWSKY:** I am involved and I believe David is in a very small way.

**HON. B. USKIW:** Do you feel that your position represents the general feeling in your particular municipality?

**MR. N. SLONOWSKY:** Yes, we do.

**MR. CHAIRMAN:** Mr. Uruski.

**HON. B. URUSKI:** Yes, Mr. Chairman, you are no doubt aware that the Union of Manitoba Municipalities, the parent body of all municipalities, has come out in support of retention of the Crow rate as well and you are just adding your additional voice to that. Is that correct?

**MR. N. SLONOWSKY:** That's correct.

**MR. CHAIRMAN:** Further questions? Reeve Slonowsky, Secretary-Treasurer Dohan, thank you very much for bringing your resolution to the attention of the committee and being here today.

That concludes the list of individuals who had indicated that they wished to speak to the committee today, however, we always give anyone else a last chance in case anyone forgot to raise their hand or come forward.

Is there anyone else in the audience who wishes to make a presentation to the committee today? Seeing none, gentlemen, that concludes our business for today, except to advise the public that the Clerk will take down the names of anyone who would like to receive, by mail, copies of the transcript of this meeting and the other meetings we are holding on this subject. There



are a series of seven or eight meetings during the month of April, if you would like to receive copies of the complete transcript of those meetings, please advise the Clerk on my left.

Other than that, gentlemen, I will entertain a motion to adjourn.

Moved by Mr. Bucklaschuk that the committee adjourn.

Committee adjourn.

## **BRIEFS PRESENTED BUT NOT READ - DAUPHIN**

### **SECTION A**

#### **WHO PAYS FOR THE GILSON RECOMMENDATIONS AND HOW MUCH?**

It is time for the Crow debate, at the producer level, to focus on the specifics of the Gilson proposals. The general objectives of the Gilson recommendations have been thoroughly aired even though no clear consensus has emerged. The next essential step is to look at the details. It is only when armed with specifics that individual producers will be able to decide where their interests lie.

There are several key questions that must be answered:

1. What will be the cost of following the Gilson recommendations and who will pay those costs?
2. Even if producers accept the Gilson objectives, is the Gilson strategy the best way to pursue them?
3. Is the cost of pursuing those objectives bearable, and is that cost being levied in a fair and equitable way by the Gilson proposals?

First let us look at the costs. What will the new freight rate structure be if the Gilson recommendations are followed?

In his report, Dr. Gilson has prepared a number of "Cost Implications" charts. Each chart is based on different assumptions regarding possible railway cost increases and on various formulas for the sharing of those increased costs between producers and the government.

The variation in cost implications from one chart to the next is significant but not overwhelming. The specific figures in the following breakdown (see Chart A on next page) have been drawn from "Table V-6A" of the Gilson Report. Table V-6A is based on what Dr. Gilson refers to as the shipper's proposal for sharing increased costs. It is therefore one of the lower cost options from a producers point of view.

(See Chart A)

The comparative gross export figures of 30.4 million tonnes and 36 million tonnes were selected for the following reasons.

1. Dr. Gilson recommends that the government's contribution to railway revenue shortfall (Crow benefit) be paid only on gross export volumes

up to 30.4 million tonnes. Any volumes beyond this would move on the basis of the full compensatory rate (\$12.46/tonne) charged to producers.

2. Thirty-six million tonnes is the Canadian Wheat Board export target for 1990.

Option 3 and Option 4 require some additional explanation. By 1991-92, Dr. Gilson projects that the total Federal Government contribution to cover railway revenue shortfall to be \$885.4 million per year (Table V-6A). He is also proposing that by (1991-92), 81 percent of this money be paid to producers in some neutral way (some form of acreage payment). This would amount to \$717.2 million. The net effect on railway freight tariffs to producers would be that they would increase by an equivalent amount.

30.4 million tonnes exports 717.2 divided by 30.4 = \$23.60/T

36 million tonnes exports 717.2 divided by 36 = \$19.92/T

The remaining 19 percent would continue to be paid to the railways, an amount equal to \$168.2 million.

30.4 million tonnes exports 168.2 divided by 30.4 = \$5.53/T

36 million tonnes exports 168.2 divided by 36 = \$4.67/T

(See Chart B)

The figures contained in Table V-6A of the Gilson Report, and therefore the figures in Charts A and B, are based on a number of assumptions that producers ought to be aware of.

1. That railway cost increases will be 8 percent for each year from 1982-83 to 1985-86 and 6 percent for each year thereafter to 1991-92.
2. That the Federal Government accepts what Dr. Gilson describes as the shippers proposal for sharing those increased costs. The shipper's proposal is that producers pick up one-half of the increased costs in any year up to a maximum of 3 percent. Any further increase, as well as one-half of the first 3 percent, to be paid by government.
3. That the abandonment of some 946.8 miles of presently unprotected branch lines be proceeded with quickly and the resulting railway cost savings be realized.

It is Dr. Gilson's recommendation that by (1991-92), 81 percent of the government's contribution to railway revenue shortfall should be paid to all producers of all commodities without any consideration as to whether they use the rail system or not.

Dr. Gilson's reasoning goes as follows:

- The Crow benefit, up till now, has been a transportation subsidy on statutory grain moving to export position and has been paid to the railways in various ways.
- If the bulk of that transportation subsidy is paid to producers in a neutral way that has

nothing to do with their use of the rail system, it will then cease to be an incentive for the production of export grain.

- Railway freight charges to export grain producers will have to increase in the same amount as government monies are withdrawn.
- This will lower the relative farm gate price for all statutory grain, whether it moves to export or not.
- This lower farm gate price for grain will give a new lease on life to the livestock industry and secondary processing in Western Canada.

Clearly, then the only comparative calculations that flow logically from the Gilson Report are represented by Options 3 and 4 in Charts A and B.

There can be no doubt, that with freight rate increases of this magnitude there would be a significant reduction in the relative farm gate price for grain. I will leave individual producers to speculate on the impact that these truly phenomenal freight rate increases will have. The relative farm gate price for grain will be reduced by whatever amount the freight tariffs rise. This will be true for all grains whether they end up being exported or not.

Dr. Gilson is asking grain producers to absorb these freight rate increases regardless of what happens to international grain prices.

Producers can have no confidence that the international grain market will reflect the increased costs in the Canadian economy. For 1981 and 1982, the general inflation rate in Canada ran at 10 percent or better for each year. During that same period the selling price of wheat has declined steadily. A further decline is projected for 1983.

What a bewildering and self-defeating exercise this has turned out to be!

The only reason that the majority of farmers in Western Canada agreed to renegotiate the Crow was to allow for a revitalization of the railways. It became apparent that without more adequate compensation, the railroads would not be able to move the projected volumes of export grain to terminal.

Then we proceeded to Dr. Gilson's comprehensive solution. It would revitalize the rail system, but in addition, it would redesign the whole agricultural economy of Western Canada by encouraging the growth and expansion of secondary processing and value added industries.

How is that to be achieved? Clearly, by lowering the relative farm gate price of statutory grain.

In fact, by removing part, if not all, of the economic incentive for production of the very commodities that we are revitalizing the railways to carry.

## SECTION B

### VALUE ADDED INDUSTRIES AND THE GILSON FORMULA

The fundamental justification for Dr. Gilson's recommendation to eventually pay 81 percent of the government contribution to railway revenue shortfall to farmers, instead of paying it to the railways and to

do so on an acreage basis, was to effectively reduce, by that amount (\$717.2 million), the relative farm gate price for statutory grains.

According to the estimates in Table V-6A and depending on the volumes of export grain that are grown, the relative reduction of farm gate price would range from \$19.92 per tonne to \$25.60 per tonne by 1991-92.

Such an effective reduction in the farm gate price, Dr. Gilson suggests, will achieve three desirable outcomes.

1. Revitalize and expand the livestock industry in Western Canada.
2. Give an essential boost to existing secondary grain processing industries in the west and hopefully encourage the development of others.
3. Encourage further diversification of cropping patterns in Western Canada to include a higher percent of non-statutory grains and special crops.

These are all praiseworthy objectives with which no one could seriously argue. It has been the position of many however, that these objectives should not be promoted by the device of lowering the farm gate price for grain.

If we look at the livestock industry in particular, there is no doubt that the commercial feeder would benefit by an effective lowering of the farm gate price of barley in Western Canada by \$20 to \$25 per tonne providing he could find someone to try to grow it for that price.

How about the farmer who feeds his own barley? Certainly his livestock enterprises would look more profitable if he devalued his feed by \$20 to \$25 per tonne (50 to 55 cents per bushel). But remember, that's his own barley he's devaluing. For the farmer livestock producer, it's simply a matter of moving revenues from one column and entering them in another. In the process, he will have effectively devalued all the rest of his grain production as well, production which he would normally market through the elevators, feed mills, or crushers.

It is true that he will get his acreage payment. Remember though, he will get that, whether he feeds 2 steers of 500, whether he feeds 10 pigs or 1,000 or even if he feeds none at all. Surely, this cannot be considered much of an incentive to continue to keep his fork handle shined up.

The whole notion that value added industries, whether they involve secondary processing or not, should be encouraged by lowering the price paid to the primary producer is one that all farmers should view with great skepticism. Without firm price guarantees to the primary producer that system very quickly turns upside down. What was initially promoted as value added turns out, for the primary producer, to be value subtracted.

The best example I can think of to illustrate my point would be the railroads, the terminal grain handlers, and the longshoremens. None can deny that all these groups add value to export grain as it moves down the pipeline. Grain is worth more in terminal position than it was in granaries on the prairies. It's worth more once it has been cleaned and graded and loaded on a boat than when sitting in a hopper car on a terminal unload siding.

These are all activities which add value to the initial product. Without any price guarantees to the primary producer, however, he ends up taking what is left after everyone else has recovered their variable costs, their fixed costs, their return on investment, their return to management, etc., etc. This is just the exercise that we are presently going through with the railways. The bigger the slice allotted to the value added processes, the less there is left for the primary producer.

To try to encourage secondary processing by lowering the relative farm gate price of grain is totally unacceptable. It would be like the homeowner who decided to expand and renovate his house. To launch the project, he proceeds to blast a half dozen big holes in the foundation.

The grains industry in Western Canada represents too large a portion of the total Canadian economy for us to expect the kind of guarantees available to farmers in the European Common Market. Nor can we expect even the kind of minimum price guarantee available to American farmers from their Federal Treasury. What we should be able to expect however, is reasonable access to the export market. Secondary processors and value added industries will then have to compete with the export market for available supplies.

Without reasonable direct access to the export market, primary producers in Western Canada would have no recourse whatever, and would be obliged to accept whatever happens to be left after everybody else in the chain takes whatever size of bite he thinks he needs or wants.

The pure hypocrisy of the rapeseed crushers position in the matter of subsidized freight rates could not have been better illustrated than by their rejection of a recent Canadian Transport Commission offer. The offer was essentially this: Crow rate for the movement of oil and meal as far as the Lakehead, but full compensatory rates from there on.

1. These are exactly the same conditions as export grain producers presently operate under.
2. The oil and meal presently move at a minimum compensatory rate all the way to the Eastern market. The response from the crushing industry was a quick and emphatic, no thank you.

These are the same people who have been, for some time, holding their noses and hollering foul because of the statutory rate on raw seed moving to terminal. Both beauty and morality it seems are in the eye of the beholder. A freight subsidy on the movement of raw seed, that's bad. A freight subsidy for oil and crush products, however, that's another matter.

Clearly, the Gilson report tried to do the impossible. It tried to reconcile the point of view of two groups whose fundamental interests are diametrically opposed.

Of course, secondary processors and value added industries would like to see lower farm gate prices for their raw product. This can hardly be in the interest of the primary producer however, who would have to accept those lower farm gate prices for all his production including the 60 to 70 percent that would still have to move into the export market in raw form.

To build a sound structure, you start with the foundation. You do whatever you can to ensure that it

is solid and secure. Only then, do you proceed on up. You do not try to encourage secondary processing and value added industries by lowering the farm gate price for grain at the expense of the primary producer.

## **SECTION C NEUTRALIZATION OF THE CROW BENEFIT AND DIRECT PAYMENTS TO PRODUCERS**

There are two major areas of concern for those who oppose direct payment of the Crow benefit to producers.

1. If the proposed acreage payment is to have a neutral effect, it cannot be considered as an incentive to produce grain any more than it can be considered an incentive to produce vegetables, or sugar beets, or beef or pork, or milk or any other form of farm produce. The payment would have to be viewed as a general acreage subsidy that would come no matter what was produced and in fact, even if nothing was produced.

The way would be clear for some enterprising couple to convert their farm to nature trails and scenic tours. The husband could be the groundskeeper, the wife could act as gatekeeper and guide. They could split the acreage payment 50-50.

2. As pointed out above, there is no reason for export grain producers to view their proposed acreage payment as a reimbursement for increased freight charges. They will receive the acreage payment whether they produce export grain or not. To view the payment as a subsidy for export grain production, would defeat the whole concept of neutralization.

Even if export grain producers agree to view the proposed acreage payment as a partial reimbursement for increased freight costs, there are two more problems that arise.

- (a) Because the proposed acreage payment will be paid on all improved acres in Western Canada, rather than just those acres used to produce export grain, the size of the payment will be considerably diluted by the time the export grain producer nets his cheque. It is estimated that this dilution effect will amount to some 20 - 30 percent. Let us use 25 percent for easy calculation and for want of a better estimate.

In Table V-6A of his report, Dr. Gilson estimates the total government contribution to railway revenue shortfall in 1991-92 to be \$885.4 million. He proposes that 81 percent of this money be paid directly to producers. This would be \$717.2 million or the equivalent of \$23.60 per tonne, if export grain production stays under 30.4 million tonnes and drops to \$19.92 per tonne if export production rises to 36 million tonnes.

As soon as the 25 percent dilution factor is introduced however, the real

reimbursement level for increased freight costs begins to shrink.

$23.60 \times .75 = \$17.70$  per tonne if export volumes stay below 30.4 million tonnes.

$19.92 \times .75 = \$14.94$  per tonne if exports rise to 36 million tonnes.

- (b) There is a second diluting effect which the proposed acreage payment will create. It will make no distinction between highly productive farmers and those who would have to be described as somewhat less aggressive. It is undeniable that the production level on the same farm can vary by at least 25 - 30 percent depending on who is farming it.

Comparing the impact of the Gilson formula on two export grain producers, the net effect would be to impact more heavily on the more productive farmer. The more productive a farmer is the more grain he would have to move to terminal at the new inflated freight rates. His acreage payment would be the same as his less productive neighbour.

The more productive he is, the higher any producers total freight bill will be and the less significant his acreage payment will be in reimbursing him for those drastically increased freight costs.

Let us use 20 percent as a measure of this dilution effect that will be laid on our more aggressive producers by the Gilson formula. Their acreage payment will then amount to an even smaller consideration.

$\$17.70 \times .80 = \$14.16$  per tonne if total export volumes remain below 30.4 million tonnes.

$\$14.94 \times .80 = \$11.95$  per tonne if total export volumes exceed 36 million tonnes.

In this calculation, there will be a corresponding increased benefit to the less productive farming units in Western Canada. I will leave it to you to decide whether this is the kind of incentive that should be introduced into any sector of the Canadian economy at this point in time.

Neutralization is not a new concept, not by any means. My dad knew what the word meant.

We always had cattle when I was a boy and from time to time we would have a little rodeo. Each succeeding generation of male calves had to be rounded up and subjected to a small operation. It's normally done with pinchers now, but in those days it was a good sharp jack-knife. My dad could use that knife with all the speed and dexterity of a modern day surgeon.

Following breakfast, on the day when the round-up was to take place, we would always see dad sitting on the front steps sharpening his knife. "Well young man," he would say, "we have some neutralizing to do today."

He knew exactly what the word meant and in 40 years it hasn't changed in meaning one iota. It means to render impotent, impotent to achieve any objective good or ill.

All Dr. Gilson's neutralization formula has done is to show us how to take the jack-knife to the Crow.

At least we can be grateful that he didn't suggest that 81 percent of the Crow benefit simply be added to the transfer payments presently going from Ottawa to the Western Provinces. That would have been the ultimate in neutralization.

## SECTION D

### RATIONALIZATION OF THE GRAIN COLLECTIONS AND DELIVERY SYSTEM IN WESTERN CANADA - VARIABLE RATES

Thus far, we have not considered the matter of variable rates at all. Over and over again, this past six months, I have heard the argument put forward that out of the Gilson Report will flow a far more efficient and rational approach to the whole grain collection system in western Canada. The only reference made by Dr. Gilson to this matter is in the assumptions he makes on which his cost implications charts are based. The assumption is this, that between 1982-83 and 1985-86, 946.8 miles of presently unprotected branch lines will be abandoned and that this should be proceeded with as quickly as possible.

Clearly, if fewer miles of unprotected branch lines are abandoned, the rail freight cost implications for both the government and producers would be higher. If more miles were abandoned, the rail freight costs would be lower, with of course, a corresponding increase in trucking and road maintenance costs to be picked up by someone.

This is as far as Dr. Gilson goes on this matter. He neither advocates nor does he rule out the possibility of variable rates.

Recent public pronouncements by Jack Horner on behalf of the Canadian National Railway and by the President of the Manitoba Trucking Association, and others, leave little doubt as to the direction they see the system developing. Clearly, they see the most efficient system to be built around a very limited number of main rail lines across western Canada (perhaps two or three). Along these lines would be located a series of large through put elevators that would serve as main line collection points for unit trains which would move the grain to terminal position. No doubt, the Manitoba Trucking Association and Mr. Horner both anticipate that a very high percent of the grain arriving at these main line collection points would be delivered by truck with a resulting massive abandonment of the present branch line system in western Canada.

This is a highly controversial issue with implications that go far beyond the needs of the export grain industry. For the purpose of this discussion, however, let us confine ourselves to the need to move export grain to terminal in the most efficient way possible. Let us assume that in the long run the general plan outlined above would be the most sensible way to achieve that objective. The question then would be, does the Gilson formula provide a framework within which we could move in that direction in a manner that would be fair and equitable to all producers in Western Canada?

Under the Crow legislation, the general proposition of equal cost for equal distance was enshrined and generally accepted. There are some inequities, of course, because inevitably some producers have to haul further to get to their local elevator than do others. Once delivery was made to the local elevator, however, the broad principle applied whether the local elevator happened to be located on a main line or on a branch line. This is an equitable and rational principle that should not be quickly abandoned.

The St. Lawrence Seaway could not have been constructed in a half dozen different places. Its location is clearly determined by geography. The location of Canadian National and Canadian Pacific main lines across Western Canada however, is quite another matter. Those main lines could have been located virtually anywhere. The essential determining factors were the location of Winnipeg on the east and the available mountain passes on the west. In between, they could quite literally, go where they liked. The original builders of the Canadian Pacific Railway knew that their main source of competition as a freight carrier would come from across the United States border and therefore, they built their line as far south as possible. They knew full well that any development north of their line would have no choice but to use their service.

If it is sensible and reasonable that we move rapidly toward the kind of main line concept for rail movement of grain outlined above, and proceed with massive branch line abandonment, then there are basically two ways it could be achieved.

1. We could move to a system of variable rates.

It has been stated a number of times that the cost of moving grain off many branch lines is equal to or exceeds the cost of moving the grain all the rest of the way to terminal. A rate structure which would reflect these costs and pass them back directly to the user of the service would undoubtedly force many farmers to by-pass their local elevator and deliver to the main line collection points. They would do this either by using a commercial trucking service or their own trucks. By either method, their total transportation bill would be considerably higher than the average costs outlined by Dr. Gilson.

Producers whose farms are located near a main line and particularly if they were close to these new main line collection points would realize a corresponding advantage. This would inevitably lead to very significant increases in land values near the main line collection points and corresponding decreases for those lands located significant distances away. These changes would have nothing to do with the relative productive capacity of the land, but relate only to location. If we proceed with the Gilson formula whereby in 1991-92 producers will be picking up 85-90 percent of the actual freight bill while the government's direct contribution to the railroads would be only 10-15 percent of the total, there would seem to be little room for government money to be used to soften the blow to the producers hardest hit.

I will leave you to decide how reasonable or palatable that procedure would be. Have no doubt, however, many producers would be blown right out of the water in such a process.

Variable rates represent the only way that a highly streamlined grain collection system could be developed within the framework of the Gilson formula.

2. There is essentially only one other way to achieve these objectives that would maintain the basic principle of equal cost for equal distance and avoid the need for variable rates.

The total amount of money that the Federal Government is prepared to spend on dealing with the transportation problem would have to be kept within the total grain transportation budget for Western Canada.

This could be done within the Gilson formula by eliminating the notion of acreage payments to producers and introducing a firm commitment to equal cost for equal distance. It could also be achieved by proceeding with the Argue Proposal which specifically rules out variable rates while recognizing the need for farmers to pick up an increased share of the total cost of grain transportation.

Within this framework, we would have the essential elements needed for the only other way to proceed with rationalization of the grain collection system other than variable rates to producers.

1. There would be a clear commitment from producers to pick up an increasing share of the total cost of collecting and moving grain off the Prairies. These increases would be shared equitably by all producers on the traditional basis of equal cost for equal distance.
2. The residual monies required to maintain a reasonable service and to provide adequate compensation to the railroads or to whoever else might be involved in the total collection and delivery system would be paid by government. This is the traditional role which government's have played in such matters and one which only government can play. It is certainly not extraordinary and is quite consistent with Gilson's overall philosophy.
3. Decisions regarding how rationalization could proceed would then be joint decisions involving government, (as the guarantors of the service), railroads and trucking associations, (as those involved in providing the service) and grain companies and producers who must live with the service.

In this context, let us assume that a particular branch line began to emerge as clearly uneconomic. It would seem that a sizeable number have been identified already, 946.8 miles according to Dr. Gilson. In any massive move toward rationalization, there is no doubt, that a great many more would fall into this category.

Once identified and a decision to abandon had been taken, then an appropriate government agency and the elevator companies would have to look at the delivery points located along that line. If there were sufficient volumes of grain involved to warrant maintaining the delivery points, the movement of grain from there to the main line collection point could be tendered to commercial truckers.

If the volumes of grain involved at some delivery points was too low, then there would have to be a further rationalization within the elevator system serving that region. Grain handling companies are making these decisions all the time. The elevator network has been reduced from 3240 manager units to 2075 manager units in the past 10 years.

There would be red tape, of course, but rail line abandonments have never seen simple matters to deal with. We should not expect them to be so in the future.

A move to variable rates which would force abandonment on a massive scale and provide no compensation to farmers, adversely affected, would be even less palatable. Would any one care to speculate on the kind of lobbying and infighting that would take place over the location of main line collection points

in the face of variable rates, large scale branch line abandonment and no provision for hauling?

If rationalization of the grain collection system in Western Canada is to be achieved, these are the alternatives before us:

1. Proceed with the complete Gilson formula combined with variable rates and accept as inevitable the gross inequities and dislocation that this would entail.
2. Insist on a continued large scale direct government financial and supervisory involvement in the development and rationalization of our grain collection and delivery system.

Those who cry out in support of Option 1, "Let the farmer pay the real cost and make his own choices," fall into one of the following categories:

- a) They farm near or within easy hauling distance of a likely main line collection point, or
- b) they don't grow export grain, or
- c) they are in dire need of the age old Christian dispensation, "Forgive them for they know not what they do."

The only real choice under Option 1 for an export grain producer sitting out on the end of a highly questionable branch line, is to dig a good deep hole, jump in, and pull the hole in after him.

### **PAY FARMERS TO PRODUCE GRAIN - PAY THE RAILWAYS TO TRANSPORT IT**

I am a Shareholder, Patron and staunch supporter of United Grain Growers. My position on the issue of how the Crow Benefit ought to be distributed, however, is much closer to that of the three Pools.

There is no doubt that some change in the original Crow Legislation is necessary in order to provide for adequate compensation to the railways for the movement of grain. The new framework must be sufficiently flexible to meet the demands of changing circumstances. It must also continue to protect producers from arbitrary Railroad Company decisions regarding rates and services. It must not be forgotten that the railways are in as much of a monopoly position today as they ever were.

It is reasonable that the Producers of export grain should be expected to pay some of the additional costs required to ensure adequate compensation. The gross figures proposed by Gilson would seem to be a fair distribution of those increased costs between the Producer and the nation as a whole. From a practical point of view it is probably as good a deal as Producers could expect. Certainly both Mr. Gilson and the Federal Government would appear to have now accepted, as legitimate, the producers' claim to "A Crow Benefit."

The original intent of the Crow Legislation was essentially two fold.

1. To protect export grain Producers from arbitrary pricing decisions on the part of the railways which would reflect, not the cost of moving grain, but rather the monopoly position of the railroads.

#### **(Statutory Rates)**

2. To provide, as part of our National Policy, a

counterbalancing benefit to the producers of export grain to compensate for the many aspects of that National Policy which do not operate to their particular advantage. (Crow Benefit)

Up to a point, the Gilson report, accepts and reflects these two basic principles. The rationale for the original Crow Legislation and the Crow Benefit that grew out of it and the rationale which has kept that legislation in place up to the present had nothing to do with some vague notion about a general subsidy payment to Western Canadian agriculture. It should not be so construed in 1982. It is here that Mr. Gilson misses the mark.

No combination of tariffs, or import quotas, or supply management production quotas can have any significant impact on the selling price of export grain. It must meet the competition. The price, thus arrived at, has very little to do with Canadian costs of production or Canadian costs of transportation. The international grain market is clearly beyond the control of Western Canadian producers or their governments. The only way that Government can assist export grain Producers in their fight for solvency is to help keep down their costs of production and marketing - including the cost of moving grain to export position.

If the overall health of the Canadian economy of western agriculture was no longer dependent, to any significant degree, on the export of western grains it would be foolish to continue to encourage production for that purpose. Quite the opposite would appear to be true however. A very high percentage of western grain production will have to be exported for the foreseeable future. The export dollars thus earned are a great benefit to all Canadians. In order to continue to bring in those valuable export dollars Producers will need as much help and encouragement as possible in order to meet the fierce competition in the International Grain Market.

Whatever the level of Crow Benefit that is eventually arrived at, and that Governments are prepared to sustain, should be used for the very specific purpose for which it was originally intended. It should be earmarked to assist a very significant and viable export industry to get its product to market. It should be paid directly to the railroads where it will be used specifically for that purpose. To reduce the Crow Benefit to some sort of general subsidy to western agriculture would be to distort it beyond recognition.

Those who argue that a direct subsidy for the movement of grain to export tends to distort the economy of Western Canada and works to the detriment of secondary processing and the livestock industry are engaging in a little game of hoodwinkery that is inexcusable and in some instances blatantly self-serving. There are so many distortions built into the Canadian economy that to single out the Crow Benefit as the one distortion that should be removed is irrational. The whole purpose of the original Crow legislation was to provide a counterbalancing of distortions within the total national policy.

Producers of export grain do not expect to share directly in the financial benefits that accrue to the dairy or poultry industries because of the supply management techniques that have been employed to ensure that their cost of production is a major consideration in the pricing of their product.

Producers of export grain do not expect to share directly in the various government grants and subsidies being pumped into the hard pressed red meat industry. All of these provincial programs and the federal programs yet to be unveiled have one overriding purpose. The red meat industry must be stabilized in such a way that producers can expect to receive a price for their product which is more realistic in terms of their cost of production.

Producers of export grain do not expect to share directly in the multitude of grants and concessions made available by governments to those who construct and operate the various secondary processing plants which presently operate in western Canada - "In spite of the Crow" one might add.

All of the programs referred to above and a whole host of others are generally laudable and necessary and deserve the broad support of all Canadians. They are designed to meet the specific needs of a specific sector of the economy.

Have no doubt, however, the benefits that are derived from the operation of such programs and policies are paid for by the public at large. They are paid either directly through taxation or indirectly through the price the consumer pays for a quart of milk or a dozen eggs. All are as much a distortion of the operation of a free market as any direct subsidy for the movement of grain to export. Certainly the Crow Benefit deserves better treatment than to be singled out as if we were desperately trying to pin a tail on a donkey - particularly when we have a whole host of donkeys and apparently only one tail.

If the "Crow Benefit" were to be paid directly to farmers, it would have to be based on some combination of acreage and potential productivity. It could have no relationship to the amount of grain marketed through the Canadian Wheat Board or any place else for that matter. To tie the payment to the production of any particular products or combination of products would create the same distortions as the present detractors complain about. I would assume that the custodian of any piece of arable land would be entitled to his share of the general subsidy even if

it were his choice to produce no marketable products whatever.

Surely this is verging on the ridiculous. Such payments would soon lose all credibility as well as rational and moral justification. This would happen even within the agricultural community itself, let alone the country at large which would be paying for it. I can see the headlines already.

### **THE FARMER'S ALLOWANCE AN EXERCISE IN EATING CROW**

Those of us who are involved heavily in the production of grain for export must not allow ourselves to be stick handled right out of the arena on this issue. If we do not stand up and be counted, before long that is exactly what is going to happen. Our industry should have no apologies to make. There is as much need for a "Crow Benefit" today as there ever was. There is certainly a need for modification and updating of the original Crow Legislation. What should not be accepted is a complete distortion of its historical intent. To reduce the "Crow Benefit" to a general subsidy to western agriculture would do exactly that.

The export grain industry is one of the few industries that, even now, is still able to compete and sell massively on an international market. The price is not as good as one would like but the grain is still moving out. Our grain exports were at record levels this year. We are told that the resources and technology are available to increase production by another 50 percent. Does anyone imagine that enough secondary processing is likely to appear on the scene in order to absorb such massive production domestically? Surely not - neither in the short or long term.

The export grain industry is presently getting some direct help in moving its product to market. Let us not replace that with some vague general subsidy based on the production of nothing at all. The present \$20 billion federal deficit is made up of far too many such payments already. Let us not begrudge a little direct encouragement to the goose which still manages, from time to time, to lay a GOLDEN EGG.

CHART A

PROPOSED EXPORT GRAIN RAILWAY FREIGHT RATE STRUCTURE

	Statutory rate	<u>OPTION 1</u>	<u>OPTION 2</u>	<u>OPTION 3</u>	<u>OPTION 4</u>	Total railway revenue from freight tariffs
		Total exports less than 30.4 million tonnes  Total gov't contributions paid to rail-ways	36 million tonnes exported  Total gov't contributions paid to rail-ways	Total exports less than 30.4 million tonnes  19% of gov't contributions paid to rail-ways	36 million tonnes exported  19% of gov't contributions paid to rail-ways	
	1981-82	1991-92	1991-92	1991-92	1991-92	1991-92
Barley	\$4.89/T 11¢/Bu.	\$13.33/T 29¢/Bu.	\$17.85/T 39¢/Bu.	\$36.92/T 81¢/Bu.	\$37.79/T 82¢/Bu.	\$42.46/T 93¢/Bu.
Rapeseed	\$4.89/T 11¢/Bu.	\$13.33/T 30¢/Bu.	\$17.85/T 41¢/Bu.	\$36.92/T 84¢/Bu.	\$37.79/T 86¢/Bu.	\$42.46/T 97¢/Bu.
Wheat	\$4.89/T 13¢/Bu.	\$13.33/T 36¢/Bu.	\$17.85/T 49¢/Bu.	\$36.92/T \$1.01/Bu.	\$37.79/T \$1.03/Bu.	42.46/T \$1.16/Bu.
Percent Increase		173%	265%	655%	673%	768%
Percent of statutory rate		273%	365%	755%	773%	868%



CHART B

1991-92 DISTRIBUTION OF TOTAL RAILWAY FREIGHT  
CHARGES FOR MOVEMENT OF EXPORT GRAIN

	Freight costs charges to shippers	Freight costs paid by gov't shortfall payments to rail-ways	Gross railway revenues for moving grain
<p>OPTION 1</p> <p>30.4 million tonnes gross exports</p> <p>Total gov't contribution paid to the railways</p>	<p>30.4M x \$13.33/T</p> <p>\$405.2 million</p> <p>31%</p>	<p>30.4M x \$29.13/T</p> <p>\$885.4 million</p> <p>69%</p>	<p>30.4M x \$42.46/T</p> <p>\$1291 million</p> <p>100%</p>
<p>OPTION 2</p> <p>36 million tonnes gross exports</p> <p>Total gov't contribution paid to rail-ways</p>	<p>(30.4 x \$13.33) + (5.6 x \$42.46)</p> <p>(36M x \$17.85/T)</p> <p>\$643 million</p> <p>42%</p>	<p>30.4M x \$29.13/T</p> <p>\$885.4 million</p> <p>58%</p>	<p>36M x \$42.46/T</p> <p>\$1528 million</p> <p>100%</p>
<p>OPTION 3</p> <p>30.4 million tonnes gross exports</p> <p>19% of gov't contribution paid to rail-ways</p>	<p>30.4M x \$36.92/T</p> <p>\$122.4 million</p> <p>87%</p>	<p>30.4M x \$5.53/T</p> <p>\$168.2 million</p> <p>13%</p>	<p>30.4M x \$42.46/T</p> <p>\$1291 million</p> <p>100%</p>
<p>OPTION 4</p> <p>36 million tonnes gross exports</p> <p>19% of gov't contribution paid to rail-ways</p>	<p>(30.4 x \$36.92) + (5.6 x \$42.46)</p> <p>(36M x \$37.79/T)</p> <p>\$1360 million</p> <p>89%</p>	<p>30.4M x \$5.53/T</p> <p>\$168.2 million</p> <p>11%</p>	<p>36M x \$42.46/T</p> <p>\$1528 million</p> <p>100%</p>

Friday, 15 April, 1983

(Mr. W. Yacentiuk)

CROP PRODUCTION COSTS 1983

	<u>Wheat</u>	<u>Barley</u>	<u>Canola</u>	<u>Flax</u>	<u>Rye</u>
	\$	\$	\$	\$	\$
<u>OPERATING COSTS:</u>					
Seed	8.10	7.00	2.70	7.15	6.75
Fertilizer - N	18.20	18.20	20.80	15.60	18.20
- P <sub>2</sub> O <sub>5</sub>	9.25	9.25	5.60	-	5.60
- Other					
Chemicals	18.50	16.50	18.00	18.00	2.50
Fuel	9.00	9.00	9.00	9.00	9.00
Machinery Operating Costs	7.00	7.00	7.00	7.00	7.00
Insurance	4.75	5.00	6.00	5.50	4.85
Miscellaneous	5.00	5.00	5.00	5.00	5.00
Drying					
Interest on Operating	6.10	5.75	5.55	5.05	4.40
TOTAL OPERATING COSTS. . .	85.90	82.70	79.65	72.30	63.30
<u>FIXED COSTS:</u>					
Land Investment Cost	38.00	38.00	38.00	38.00	38.00
Machinery Depreciation	14.00	14.00	14.00	14.00	14.00
Machinery Investment	10.00	10.00	10.00	10.00	10.00
Storage Costs	2.70	2.70	2.70	2.70	2.70
Labor and Management	16.00	16.00	16.00	16.00	16.00
TOTAL FIXED COSTS	80.70	80.70	80.70	80.70	80.70
TOTAL COSTS	166.60	163.40	160.35	153.00	144.00

BREAKEVEN ANALYSIS

Price/Unit	\$4.25/bu.	\$2.10/bu.	\$6.80/bu.	\$7.25/bu.	\$2.75/bu.
Breakeven Yield for Operating Costs	20 bu.	39 bu.	11.7 bu.	10 bu.	23 bu.
Breakeven Yield for Total Costs	39 bu.	78 bu.	23.5 bu.	21 bu.	52 bu.

(Mr. W. Yacentiuk)

GUIDELINES (DOLLARS PER ACRE)

<u>Corn</u>	<u>Sunflowers</u>	<u>Peas</u>	<u>Lentils</u>	<u>Buckwheat</u>	<u>Navy Beans</u>	<u>My Farm</u>
\$	\$	\$	\$	\$	\$	\$
17.25	7.50	20.00	21.00	15.00	18.00	_____
26.00	15.60	-	-	14.30	-	_____
11.20	9.80	9.80	9.80	9.80	9.80	_____
7.80	4.30	6.45	6.45	3.90	6.45	_____
28.85	14.00	16.00	20.00	14.00	32.50	_____
12.00	9.50	9.50	9.50	9.00	10.00	_____
11.00	9.50	8.50	8.50	8.50	9.50	_____
8.75	4.35	6.65	5.50	6.50	7.85	_____
6.00	6.00	6.00	6.00	6.00	6.00	_____
25.00	6.00	-	-	-	-	_____
9.65	6.05	6.20	6.50	6.50	7.50	_____
163.50	92.60	89.10	93.25	93.50	107.60	_____
45.00	38.00	38.00	38.00	38.00	45.00	_____
20.00	17.00	14.00	15.00	14.00	18.00	_____
14.40	12.25	10.00	10.80	10.00	13.00	_____
4.00	2.70	2.70	2.70	2.70	2.70	_____
16.00	16.00	16.00	16.00	16.00	16.00	_____
99.40	85.95	80.70	82.50	80.70	94.70	_____
262.90	178.55	169.80	175.75	174.20	202.30	_____

PER ACRE YIELDS

\$2.90/bu.	9.5¢/lb.	\$5.00/bu.	16¢/lb.	\$8.50/bu.	15¢/lb.	_____
56.4 bu.	975 lb.	17.8 bu.	582 lb.	11 bu.	717 lb.	_____
90.6 bu.	1879 lb.	34 bu.	1098 lb.	20.5 bu.	1348 lb.	_____