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**Second Session — Thirty-Second Legislature**

of the

# Legislative Assembly of Manitoba

## STANDING COMMITTEE

## on

## AGRICULTURE

31-32 Elizabeth II

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

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**MANITOBA LEGISLATIVE ASSEMBLY**
**Thirty-Second Legislature**

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# LEGISLATIVE ASSEMBLY OF MANITOBA

## THE STANDING COMMITTEE ON AGRICULTURE

**Thursday, 21 April, 1983**

**TIME — 1:00 p.m.**

**LOCATION — Brandon, Manitoba**

**CHAIRMAN — Mr. Andy Anstett (Springfield)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

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

**WITNESSES:** Mr. Lorne Parker, Manitoba Farm Bureau

Messrs. Allan Chambers and Sheldon Fulton, Manitoba Farm Bureau

Mr. Bill Moore, NDP Candidate in the May 24th Federal Election

Messrs. Doug Campbell and Peter Gosman, CN Rail

Mr. Keith Proven, National Farmers Union, Local 516

**MATTERS UNDER DISCUSSION:**

Western Transportation Initiative proposed by the Government of Canada.

* * * *

**MR. CHAIRMAN:** Committee come to order please. Ladies and gentlemen, we have a quorum.

Before we begin, I would like to apologize to those members of the public who are here, for that half of the committee which arrived a little late. We were on a slower plane, I guess. My apologies for us getting under way a few minutes late.

Before we begin, I would like to introduce the members of the committee. On my far left, Mr. Henry Carroll, the Member for Brandon West; beside Henry, Mr. Jim Downey, former Minister of Agriculture, the Member for Arthur; beside Jim, Clayton Manness, the Member for Morris; the gentlemen in the beard is Dave Blake, the Member for Minnedosa; immediately beside me is the Honourable Sam Uskiw, Minister of Highways and Transportation, the Member for Lac du Bonnet; on my far right, I don't know if that was intentional, Don Orchard, the Member for Pembina; beside Don, John Bucklaschuk, Minister of Consumer Affairs and Co-operative Development. John is the MLA for Gimli; beside him, Harry Harapiak. Harry is the MLA fo The Pas; next to Harry, John Plohman, Minister of Government Services, the MLA for Dauphin; last but not least, the Honourable Billie Uruski, Minister of Agriculture.

My name is Andy Anstett. I am the chairman of the committee and the MLA for Springfield. Ladies and gentlemen that's your committee.

The authority to hold these series of meetings is vested in a resolution passed by the Legislative Assembly unanimously on March 15th of this year. It reads as follows - I hope everyone has a copy of the resolution and the accompanying document, if not there are additional copies by the door you came in.

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, 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.

Ladies and gentlemen, that is our mandate. The primary purpose then of the meetings is pointed out under (a) in the Resolve portion of the resolution, to enquire into matters relating to the Western Transportation Initiative.

When you came in at the door, in addition to a copy of the resolution, you also found an outline of the Federal Western Transportation Initiative. It is fairly self-explanatory. At previous meetings, I have read the full four pages or five pages of the Western Transportation Initiative. Some members have suggested that because everyone has copies and most people are familiar with it we may wish to dispense with that reading. What is your will and pleasure? It is agreed that we dispense with the reading.

Ladies and gentlemen, if anyone is unsure as to exactly what the broad outline of the Pepin proposal is, I suggest to them they consult then the document that was at the door.

### Western Transportation Initiative

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 Crowsnest Pass rate, and the actual cost of moving grain during the crop year 1981-82 and has calculated it to be $651.6 million. The average Crow rate was $4.89 per metric tonne for the Prairie region and $3.65 per metric tonne for Manitoba.
3. Starting in the 1983-84 crop year, producers will pay
   (a) The total cost of any future volumes of grain and grain products exceeding 31.1 million tonnes;
   (b) The first three percentage points of railway cost increases due to inflation in the crop years 1983-84, 1984-85 and 1985-86;
   (c) The first 6 percentage points of railway cost increases due to inflation for the crop year 1986-87 and beyond.
4. Blended freight rates set by April 30th of each year for the following crop year by the Canadian Transport Commission, after consultation with grain shippers and railways.
5. Freight rates will remain generally distance related.
6. (a) Under the Gilson recommendation, the federal contribution will be divided between the railways and the producers. In 1982-83, 100 percent of the federal contribution will go to the railways. After that the proportion paid to the railways will decrease over time to a minimum of 19 percent by 1989-90. In 1989-90, 81 percent will be paid to producers.
   (b) The method of paying the government contribution will be that recommended by Dr. Gilson, but the method will be reviewed in 1985-86, when the split is approximately 50 percent to each party. Parliamentary approval will be required to continue any further progression of payments to the producers.
7. Payments to producers will be on 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 transporation co-ordinator and will have an enlarged mandate, including car allocations, performance and service guarantees, and improved efficiency and capacity in the transporation 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 transporation 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.

We have a long list of individuals who have indicated they wish to speak to the committee today. I will read through the list and then ask if there are any additional people who wish to have their names added to that list. Mr. Lorne Parker, President of Manitoba Farm Bureau; Mr. Bill Moore, private citizen; Mr. Doug Campbell, CN Rail; Mr. Keith Proven, National Farmers Union, Local 516; Mr. Wayne Sotos, National Farmers Union Local 505; Mr. Bill Nicholson, Shoal Lake Local Committee, Manitoba Pool Elevator; Mr. Dennis Heeney, private citizen; Mr. Ken Sigurdson, Manitoba Pool Elevator Delegate; Mr. Larry Maguire, Souris Valley Farm Business Association; Mr. John Whitaker, private citizen; Mr. Brad MacDonald, private citizen; Messrs. Tony and Allan Riley, Claris Nicholson, John Mitchell, Alex McWilliams, Ian Robson, Emil Shellborn and Henry Rempel.

Is there anyone in the audience who wishes to make a presentation today whose name is not on the list? Seeing none, Mr. Lorne Parker please.

**MR. L. PARKER:** Our presentation today from the Farm Bureau is in three parts, Mr. Chairman. I will give the overview, Mr. Allan Chambers will give the presentation or that part of it in regard to method of payment, and Mr. Sheldon Fulton will make the presentation in regard to the safety net.

The Crow debate from our prospective is one of the most interesting "hodgepodges" of economics and politics and emotions that any one of us is likely to experience. The gut issue is change - and change means different things to different people. One group of people argue that any increase in grain freight rates would spell the death knell of almost every small town in Western Canada; while others suggest that higher grain shipping costs would see unlimited opportunities for further processing within the prairies. The truth is perhaps somewhere down the middle.

Why was the Pepin plan brought forward? Back in 1979, Jim Deveson and Mac Runciman, former presidents for Manitoba Pool Elevators and United Grain Growers respectively, gave some real leadership on the statutory grain freight rate issue. They basically said that the status quo was no longer good enough. The railways would have to be paid if the grain was to be moved and the farmers would have to pay a share of increasing costs under the strict rules of a new federal statute. Why did I argue vociferously within the Canadian Wheat Board Advisory Committee to persuade the board to buy 2,000 hopper cars with farmer's money when no one else would place additional car orders? One need go no further then the Canadian Wheat Board Annual Reports to see why the pressure for change was gaining momentum. Carry-over of stocks of all grains on prairie farms at July 31st was 3.3 million tonnes in 1975. It went up year by year to 3.6, 9.1 million in '77; 8.9 in '78; 13.3 million tonnes in 1979.

I would like to quote directly from two Canadian Wheat Board Annual Reports. I have them here with me, but I took the quotation out and put it into the text. In 1977-78, the Board said and I quote:

> "Producer deliveries exceeded rail shipments by nearly 3 million tonnes, resulting in serious congestion in country elevators in the latter part of the crop year. Rail shipments fell well short of market requirements causing serious vessel lineups. This, together with other disruptions drained terminal stocks, resulted in high demurrage costs, and forced the deferral of a large quantity of export commitments.

"The effects of this situation, of course, were felt for some time after the close of the 1977-78 crop year."

And again, in 1978-79 the Board said this:

"The cumulative effect of all of these delays was extensive. The Wheat Board was once more forced to forego sales opportunities and defer shipments against sales contracts already made. Rail shipments from country elevators to terminals dropped by 1.2 million tonnes. This meant lower quotas which in turn reduced producer deliveries by 3.8 million tonnes from the previous crop year."

A conservative estimate of lost grain sales revenue in those two yers is $1 billion. Is it any wonder that there was growing pressure for change?

In November, 1979, the Farm Bureau staked out a policy position which emphasized that the issue was much wider than just statutory grain. While statutory grain rates were frozen, inflation was impacting on the commercial rates for livestock and livestock products, non-statutory grains and the end products from our oilseed and crushing industry. The resulting distortions were serious and escalating. The Farm Bureau took the rather enlightened position in 1979 that an increasing portion over time of any federal subsidy would have to be paid to farmers on some sort of acreage related basis. Articulate spokesmen for the livestock, poultry and special crop sectors within the Bureau were seeking greater resource neutrality in the production and transport of their products. That should not be surprising when firstly, in most years, cash receipts in Manitoba from the sale of cattle, calves and hogs exceed wheat, and secondly, when roughly 9 percent of our seeded acreage is in miscellaneous crops - 894,000 acres in 1982 - most of which do not now move under Crow. We were unable to come up with an exact figure on the dollar value of miscellaneous crops but an educated guess would suggest that they make up at least 15 percent of farm cash crop receipts.

Let me restate the Farm Bureau 1979 policy position:

(1) The railway revenue shortfall, and remember at that time it was estimated at $225 million, be paid in perpetuity to the railways.

(2) We argued that canola and flaxseed oil and meal should be put under the statutory rate.

(3) Prairie feed grain prices to be backed off from export position by the full real cost of transport.

(4) The federal share of future cost increases to be paid to farmers on some form of acreage related basis.

The Western Agricultural Conference, which consists of the Saskatchewan Federation of Agriculture, Unifarm in Alberta, United Grain Growers and the Manitoba Farm Bureau adopted a transportation policy in January, 1980. It had similarities to the Farm Bureau position but was silent on our point (4). In the event that the eventual decision was to pay all federal subsidy money to the railways, we got tacit agreement from the WAC that it would support inclusion of all special crops under the statutory rate but we never got it in writing in the WAC policy. From January, 1980 forward the Farm Bureau was prepared to support, and did support, the WAC policy until parts of it were proven unworkable.

The WAC transportation package - and I stress the word package - was a key element in getting to the negotiating table. I have attached a couple of appendix, both of which are letters to the Prime Minister. One was written on February 11, 1981. It was signed the presidents of the four federations and the United Grain Growers that make up WAC, plus the presidents of the three Pools.

Later on April 20, 1981, the Farm Bureau wrote the Prime Minister again and it was signed by all member groups of the Farm Bureau at that time. I don't intend to read those letters, but you can look at them for yourselves. (See Appendix A and Appendix B)

The Manitoba Farm Bureau participated fully in the negotiation exercise headed by Dr. Clay Gilson. Our representatives were Allan Chambers, who is with me today; Bob Douglas, our secretary and myself with Sheldon Fulton who is also here today as our consultant. As chief spokesman, my bottom line mandate was to seek a fair and equitable solution for Manitoba farmers no matter what their enterprise.

I would draw your attention in particular to one of the Federal guidelines laid down for the Gilson negotiations and that is Appendix C. Of particular interest is the one I've quoted.

"5. The economic distortions within the agricultural sector stemming from the statutory rate should be reduced, without recourse to new transportation subsidies for crops not covered by the present statutory rate, or for goods such as livestock and processed agricultural products."

That guideline prevented us and Gilson from recommending any massive extension of the statutory rate structure to other grain and products. We were successful in getting canola and flaxseed oil and meal included for two reasons:

1. The crushers made a pretty good case that impending bankruptcy if they didn't get immediate relief, was the scenario.
2. Of course, the feds had in place certain ad hoc subsidies which had set a precedent and we could argue that they weren't entirely new subsidies.

Early in the Gilson exercise it became apparent that the Western Agricultural Conference proposed to back off feed grain prices by the full, real cost of transport was unworkable. We knew it was a weak link but the Western Agricultural Conference hoped that the grain co-operatives could figure out a way to make it work. That didn't happen between January, 1980 or the start of the Gilson negotiations in February, 1982, a span of two years. The annual cost of recycling grain into the elevator at a price reflecting the subsidized cost of rail transport was estimated to be in excess of $100 per year, most of which would come out of the Canadian Wheat Board barley pool. To get some perception of the magnititude of the distortion problem, the cost to extend the Crow Benefit to non-statutory grains and the temptation to recycle feed grains I refer you to Appendix D, a document that we tabled during negotiations last April.

And so it was that with some three weeks to go in the Gilson negotiations, we still had no middle ground that could deal with the major problem of economic distortions; nor had any organization made an offer to pick up a share of future cost increases. Since the bureau had a degree of flexibility on these two points, we suggested two things:

First, that farmers should pick up the first 3 percent annually of future cost increases. Given that degree of inflation protection, the Farm Bureau was prepared to see farmers accept all cost increases on volumes in excess of 31.1 million tonnes. It appeared as though inflation was likely to increase faster than volume, admittedly a judgment call. The suggestion of making the Federal Government responsible for any cost increases over 3 percent on the first 31.1 million tonnes is sound. If inflation is kept down to 3 percent or less, everyone wins. If runaway inflation is the scenario, then Ottawa foots a major portion of those increased costs.

Secondly, we suggested that there should be a phasing in of federal subsidy payments with 100 percent of the federal subsidy in the first year going to the railways and in subsequent years any increasing proportion of the subsidy being paid to farmers. This latter suggestion was qualified by the rider that a certain minimum sum should always be paid direct to the railways to give some additional leverage on their performance.

Dr. Gilson recommended a phasing in of payments to producers with a maximum of 81 percent of federal subsidy to farmers by 1988, '89, '90, and beyond. The 3 percent figure for annual cost increases was recommended to 1985-86 in Gilson's report, but because of financial parameters set by the Federal Government, Gilson went to three, plus a half of the next three, to a maximum of 4.5 percent annually beyond '85-86. Upon release of the Gilson report last July, the Farm Bureau endorsed it in principle but said that we weren't happy with the cost-sharing formula beyond '85-86.

In the opinion of the bureau, major tinkering with the Gilson package of recommendations is dangerous. There is balance, there is fairness in that package in the long run. Over time, most of the economic distortions within the prairies would be removed. Failure to use the federal legislation and federal dollars in a way that does address the distortion problem for all sectors would surely lead to pressure on prairie Provincial Governments to provide counter subsidies. The Farm Bureau warned Premier Pawley and his Cabinet of this possibility in January, 1982, and repeated the warning at a meeting with the Premier and Mr. Uskiw during the Gilson exercise. Of the three prairie provinces, Manitoba can least afford such action. The recent Alberta subsidy to canola crushers is an unfortunate example of the effect of this type of action on the Province of Manitoba.

Much of the initial criticism in Western Canada to Gilson's report centred on method of payment. Those who favoured payment to the railways failed during Gilson to come up with any solution to the distortion problem for feed grain users. In tabling the Western Feed Grain Rate Equalization Fund, or WREF proposal, in August, 1982, the Pools did recognize that there was a serious problem of distortion for feed grain users if the subsidy is paid to the railways. The WREF proposal received no government support at either the federal or provincial level and very little amongst individual farmers within the Canadian Wheat Board area. Nothing has been heard of the WREF proposal in recent months. That leaves payment to farmers as the only hope for fair and equitable treatment insofar as the livestock, poultry and special crop sectors go.

Since the release of the Western Transportation Initiative on February 4, 1983, we have seen more and more of the western criticism aimed at the overall cost-sharing formula beyond '85-86. That is as it should be. The Federal Government is suggesting that farmers pick up the first 6 percent of cost increases beyond '85-86 while retaining the volume cap at 31.1 million tonnes. That is not acceptable to the bureau or, as far as I know, to any other farm organization in Western Canada. Some concessions will have to be made during the parliamentary process in regard to cost-sharing, and the Farm Bureau was confident that if we get our act together out west, the government will listen.

Before moving to some specific recommendations for your consideration, Mr. Chairman, let's look at the government's estimated dollar commitment for the four years ending in 1985-86. The first four, totalling $1.4 billion, and that is the interim payment, the branch line rehabbing the branch-line subsidies and, perhaps, I threw in the hopper car purchases and leases. That part might be secure. I stress "might" because I'm not sure and I don't think any of you are on the hopper car one, because no contract has been signed. The last four, including the Crow benefit payments, the federal share of cost increases, the agricultural adjustment payment and I suppose most of the administration, totalling $2.3 billion, would likely be lost. In other words, I said Items 5 through 8 listed above are totally dependent on passage of the proposed legislation.

I would remind you again that our letter to the Prime Minister signed by the people I mentioned earlier, the first one, accepted the suggestion that the government commitment was contingent on successful negotiations. If the proposed legislation were not introduced or were totally defeated in parliament, we stand to lose an infusion of $2.3 billion federal dollars into Western Canada between now and '85-86. That in itself would be an utter disaster, but that's only part of the potential loss. If the required rail capacity is not in place before the movement of other bulk commodities, forest products, and general freight pickup, then grain movement will again be impeded as it was in 1977-78-79.

Every million tonne shortfall on grain movement costs farmers roughly $200 million. Our exports in 1980-81 totalled 24 million tonnes, in '81-82 we reached 27 million tonnes. In the current crop year, we could see, if we're fortunate, an export level of 30 million tonnes. The Farm Bureau hates to contemplate a situation where a lack of foresight, a lack of rail capacity forced us back to an export volume of 24 or 25 million tonnes. That is why, on instructions from the Farm Bureau executive, I wrote the Prime Minister on March 28, 1983, and we've attached that letter as well. In effect, we said to him the important thing now is to get the bill tabled. In the opinion of the bureau, the deal is a good one through '85-86. Beyond that, we have concerns and our recommendations for amendment in the proposed legislation include, first, a reduction of that 6 percent sharing formula beyond '85-86, we've said here in the text, to 3 percent, which was our original position or failing that, at least to the minimum of 4.5 percent that Gilson had in his report.

Second recommendation: The firm commitment, in principle, in the bill - our understanding now is that they're proposing they'll consider this idea in the next three years and implement it at the review period. We want a firm commitment in principle, in the bill, to a safety net. We're suggesting at an 8 percent level on grain freight rates as a percentage of the weighted farm gate price of the three major grains. A proper safety net would, in our opinion, (a) provide some level of price protection for grain producers in years when grain prices were low and export volumes high relative to freight costs, and (b) would reduce the level of uncertainty facing grain producers in the long run about excessive freight costs under the Crow amendment proposals.

Our third recommendation, Mr. Chairman, is an amendment to the proposed bill, removing the legislative action necessary to allow the phasing in of payments to producers to proceed as in Gilson's Report. We are asking for the support of the Manitoba Government in these proposed amendments.

That concludes my part of the presentation and I would turn it over to Mr. Chambers for the second part. We would prefer to make the whole presentation and then we would entertain questions.

**MR. CHAIRMAN:** Please proceed, Mr. Chambers.

**MR. A. CHAMBERS:** Thank you, Mr. Chairman. My initial comments reiterate some of the comments that Lorne had made but I would just begin by saying that during the Gilson hearings and in subsequent months, the Manitoba Farm Bureau representatives actively pursued ideas that would achieve compromise on the contentious issue of method of payment. Last summer we were active in developing the concept of the Producer Credit Accounts. I might also mention that the Manitoba Hog Board had an idea that would attempt to measure the actual grain production from each producer and by keeping very detailed records of sales of all grains plus livestock, and we actively explored that notion, it was interesting that we were exploring that notion about the time that the Pools were developing their WREF proposal and it floundered on the same shoals that it would require quite excessive gathering of information to make it work. During the Gilson process, we were the first to propose a phase-in of payments direct to producers.

Throughout this activity we continued to seek a solution that best met the twin objectives of (1) largely protecting incomes of grain producers and (2) to remove the major portion of existing price distortions against all prairie grain consumers. As Lorne has outlined, the various proposals, coming from the people that prefer the payment to railroads, are no longer on the table and they now have no proposals for removing distortions on feed grains, in particular.

Since Mr. Pepin's announcement of February 1st, we have participated in a Method of Payments Task Force to work to protect the financial interests of all Manitoba farmers. Our purpose today is to provide the committee with an understanding of how the system of payments will work and some background on the related policy decisions that have been made.

We'll begin with the mechanics of the direct to farmer payments. The intent is to compensate as closely as possible those producers who previously had the opportunity to produce and ship grain at the Crow rate and who will now be shipping grain at higher per-tonne freight rates.

The calculation of an individual farmer's payment would involve four items: multiplying the cultivated acres times a local-weighted average yield times the local Crow rate times a multiple of Crow. The latter figure will be determined by the stage of the phase-in of government payments and will vary yearly.

The sources of the data that will be required to make the calculations are: (a) provincial-municipal assessment records and from that we would acquire the actual cultivated acres per parcel of land. We have done some preliminary work that would indicate that the Wheat Board books are not accurate enough for our purposes; (b) The Wheat Board permit books; this is to provide the local crop rotations for one part of the calculations and secondly, for details of land parcels that are farmed by each operator so as to determine where the payments will go; and (c) Crop Insurance Risk Rating, to provide local, long-term yields by soil type. The purpose of this is to provide the productivity adjustment in the calculation. The definition of cultivated acres that we're using is defined by the provincial-municipal branch in each province, but excluding what might be called "permanent pasture" or "range land" in Alberta. What we are attempting to do is to include that land which does now or could easily shift into growing Crow grains.

I include a sample calculation. I don't have some of the exact data but have gone through an example of a farmer near Arborg and hope the Minister of Agriculture pays particular attention to this example. I'm not sure if this farmer produces turkeys as well on his farm.

This Farmer X has 1,000 acres of cultivated land. He has 750 acres of soil type F, which on the crop insurance rating is medium quality and 250 acres of J land, low quality. To calculate how much he would receive in compensation in 1983-84, which would be the first year of the phase-in of payments, we would first calculate a composite yield, which I do on a couple of pages in example, but in this case, the average weighted yield on soil type F in risk zone which should be 15, not 35 as in the text, is .51 tonnes per acre. The weighted yield on the soil type J, which is poor quality, is .31 tonnes per acre.

The second item that's required is the local transportation factor which is just an adjustment on the Crow rate. In 1983-84 the government compensation to producers will be approximately 1.5 times local Crow; the 1.5 may not be exactly right after all the calculations are done, but it will be very close. The local rate at Arborg is $3.53 for tonne and you multiply by one-and-a-half which would provide us with a local factor of $5.29 per tonne.

I would just point out that if you were in Brandon - I don't have the exact present rate in Brandon but I believe it's about $3.80 or so - it would also be multiplied by 1.5 and you would have a compensating adjustment up for the Brandon area. Swan River, which is further away again, would have a higher per-tonne rate at present and it would also be adjusted higher accordingly because of distance.

The third factor, (c) compensation per acre, is a calculation of this per-tonne rate above by each soil type, times the yield per acre, the composite yield, $5.25 times .1 or $2.70 per acre. On soil type J, the calculation is again the same rate per tonne times a lower rate on a poorer type of soil and comes out to $1.63 per acre. The total compensation for this farmer in the first year of the phase-in of payments then, would be 750 acres of soil type F multiplied by $2.70 or $2,025; and 250 acres of soil type J times a lower rate of $1.63, $407, which comes out to $2,432.00. The intent is that this would compensate him for the higher freight rate that he would actually pay on grain that he would ship.

There are a number of remaining questions of administrative detail that the committee is working on and I would like to go over some of them with the committee so that you're aware of some of those discussions. The first is in the calculation of the local weighted average yields. The original proposal by the Western Comodity Coalition included an adjustment for regional rotations to adjust for different amounts of summer fallow and/or production of higher per acre yielding crops such as barley.

They proposed using seeded acres as reported in Wheat Board permits as a source of the rotational data. These calculations do indeed achieve the adjustment proposed, but we in the Bureau felt they had two main disadvantages:

(a) It makes the entire calculation more difficult for individual farmers; and

b) It creates boundaries where comparable farms will be treated somewhat differently, depending on which side of the boundary you are on.

The calculations for my example was done for soil type F for Arborg, and I would admit that I don't have the access at this point to the actual Wheat Board rotational data, so I've did an example here. If wheat represented 35 percent of the acres in that area, it would be multiplied by the productivity rating that the Crop Insurance has put on it of .661 tonnes per acre, which comes out to 23.1 for the sake of a calculation here. If, for examble 30 percent of the acres were in barley, you multiply by the rating that the Crop Insurance puts on barley, which .678. Flax, I used an example of 5 percent, which is times a lower average yield of .258; rape, if we took it as 10 percent, or canola times .34, which is the rating provided at Arborg. Then I used an example of - in the text it says forage seed, it could be forage hay. The discussions there in arriving at an average tonnage on that, to make it comparable the discussion is involved around using a weighted average of the other crops in the area, so I said if there were 10 percent of that it would be times .563, which is that weighted average. If 10 percent were summer fallow, it would be put in at zero rating, you get a total, divide through by your total acres in the area - in this case I had my percentage add up to 100, but in the actual case you would have so many thousand acres and divide through and for the risk area up there it came out to .507, which I rounded off to .51 tonnes per acre in my calculation.

During the Gilson process and again during the work on the method of the Payment Committee, the Farm Bureau has argued that simply using a long term yield of wheat on stubble as the factor would effectively adjust for the differences in summer fallow. We further argued that adjustments for historical crop choices, such as for barley, were not necessary.

We understand that the initial draft of the legislation will be written as first proposed by the Commodity Coalition. If sample calculations done by Can-Agriculture staff are done when the data is all in place, indicate that our proposal will work, that proportion of the calculation written into the legislation adjusting for rotation will be given zero weight. That decision won't be made until those calculations are done by the staff.

The second area of discussion has been splitting the payments by provincial boundary initially. Dr. Gilson recommended an initial splitting the payment by the provinces, mainly due to the lack of uniformity between Crop Insurance data between provinces. During the work of our task force, a method to overcome these difficulties has been devised. This removes a number of potential problems and will simplify the administration of the payments. At this point we're proceeding without the initial provincial split.

An area that has had a lot of discussion at our committee is what to do with the changes in the land base over time. Some land will be lost to urbanization. A more serious problem is new land that will be brought into cultivation. This is a particular concern in Alberta and people in the Peace River district.

On one hand, the committee did not want to encourage the cultivation of marginal land by operators just in order to collect the payments. We could partially control that by not making the payments available to the lowest land categories. Secondly, the use of municipal assessment data to determine the number of cultivated acres should make this aspect largely self-policing. I should just enlarge on that perhaps. What is visualized as a method of changing things over time would be, in terms of the cultivated acres, that the individual would have to go to the Municipal Assessment Branch to point out that he had more cultivated acres than previously. You can visualize what would happen to his property taxes when the Assessment Branch made that change, so we felt that on the lower quality land this probably would be self-policing.

At any rate, that final decision on this has essentially been deferred. The decision at this point is to freeze the land base until the review period in '85-86. At that point with data as to the magnitude of the changes that take place between now and then, this subject will receive further consideration as part of that major review in '85-86 and some decisions will have to be made then.

Fourthly, the question of timing of payments. Farm groups have talked about one payment at the front. In fact, it appears that payments will be made in two or three payments during the year to fit in with the Federal Government's Cash Management Program. A recent clarification that we had is that in cases where volumes shipped were less than 31.1 million tonnes, the money not going to the railroads would be paid to producers in an additional payment after the crop year. The regular payments will probably be made in the September and April period.

On administrative considerations, the administration of the payments are to be handled by the Western Grain Stabilization Office located in Winnipeg. This office has had experience with and access to the data required.

It has been estimated that extra staff, travel costs and mailing costs for the first two years to set up the procedure could be $400,000.00. This would be reduced by at least 25 percent after the initial start-up period. There would also be one time start up costs of $200,000 for computer systems, programming costs and the purchase of office equipment.

Additional issues relating to the method of payment and the first one I want to discuss is definition of Crow benefit versus Crow Gap. We would define the Crow Gap as the shortfall of railway revenues for hauling grain. Dr. Gilson and the govennment have set this at 651.6 for the '81-82 period. The government in their material has been deferring to that figure as a Crow benefit. Throughout Gilson, we refer to the Crow benefit as that larger number which is the grain producer income benefit of the Crow, which include the higher prices on grain grown and sold within the prairie region in those years without the burdens and services so that it's the larger figure than just the railroad shortfall.

During the Gilson process, the Manitoba Farm Bureau tabled calculations of this additional Crow benefit on locally consumed feed grains, plus the funds that would be required to place all other crops under the rate. On one side, we were attempting to estimate the additional costs of that original Western Agricultural Conference policy position that Lorne described. Another way to define this same figure would be the amount of subsidies that will go to those acres producing non-Crow crops if all payments were made direct to producers. We estimated this figure to be 167 million per year and the calculations arriving at that are in Appendix D.

The government has accepted this argument and has agreed to compensate for this slippage during the phase-in period by additional payments of 204 million for the crop years '83-84 to '85-86. An additional 56 million will be committed if the phase-in is continued through to '88-89.

A concern has been expressed that those grain producers, who are now export grain shippers, will have a portion of their Crow benefit "diluted" by that portion of producer payments going to producers whose land is producing non-Crow grains. This concern has enough validity to warrant a more detailed examination. The actual amount of this dilution will not be known until all the data is gathered and the calculations done for direct payments. However, we offer the following to provide a better understanding of the issue:

(1) The purpose of the Agricultural Adjustment Fund is to eliminate this concern in the years '83-84 to '85-86. Note that in these years payments to farmers will exceed increased freight costs by 204 million. Now, that's at '81-82 costs and volume to the extent that farmers pay the inflation sharing and extra volume, that excess will be diminished.

(2) In Manitoba, at least, we have very few producers who only grow Crow crops and ship all of them to market by rail cars. Almost everyone either grows some special crops, grows some forage, grows seed, feeds grain to livestock or sells grain to other feeders. On the other side, almost all the so-called special crop producers seed a significant portion of their farms to Crow grains because of rotational requirements. Therefore, most of the dilution or slippage that we've been talking about will be within farm boundaries and not from one farm to another.

(3) Permanent pasture or range land is to be considered uncultivated land and set in the payment base and will not be included for payment.

(4) If the Crow benefit payments were to exclude certain crops over time, more land will shift into production that will receive the Crow benefit with resulting dilution of those benefits anyway. The phase-in with the Agricultural Adjustment Fund gives all producers time to adjust to minimize the effect of slippage.

Gentlemen, the above has not been an exhaustive discussion of all the technical details dealt with by the Task Force. It has been a brief discussion of some of the main issues. We are prepared to respond to questions of elaboration on these or other issues.

Payments of a portion of the Crow benefit to farmers does indeed have administrative problems. However, we in the Farm Bureau remain convinced that these can be overcome without major problems.

**MR. CHAIRMAN:** Mr. Sheldon Fulton.

**MR. S. FULTON:** Thank you. In the Farm Bureau's consideration of the Pepin formula as it came out, there was some concerns that Lorne has raised with respect to what happens beyond 1985-86. The concept is to look at a potential of a safety net that producers can have confidence in, that should prices fall or volumes increase without corresponding increases in prices or inflation move it up, that they'll have some protection that the freight rate won't rise to an exorbitant level.

In that discussion, we put together a proposal, which is being presented for consideration of this particular group, which we think addresses those major concerns. I'd like to present that particular proposal and then I can clarify with some numbers or examples, if necessary, how in fact it works. I think it's a fairly important proposal, because it does address most of the major concerns. In looking at the list of concerns in the rationale for this committee, to address at least five of the concerns, five of your nine concerns that you've enumerated.

Rationalization of an acceptable grain transportation network and stimulus to a waning secondary agriculture industry in Western Canada are laudable objectives. However, as with most social and economic initiatives, the proposals are not without limitation. The Pepin formula, as set out in February, is a fair synthesis of the dual objectives of moving grain to export more efficiently without continued detriment to the livestock in agricultural processing sectors on the prairies. It achieves this balance of objectives during the current decade, but raises some major concerns and uncertainty about the future.

Concerns with respect to the 31.1 million tonne cap and its implications for future prairie grain production to the 6 percent contribution to inflation in rail costs to be assumed by producers, and to the relationship of the producer's freight bill to his grain prices, are with legitimate cause. It is necessary to consider the implications of the Western Transportation Initiative both from its perceived impact on producers as its various mechanisms come into effect, as well as from its real transfer of rail costs from the railways and federal Treasury to the producer.

It would appear that there exists a considerable consensus to avoid a dramatic increase in the producer's grain freight rate through various cost deferral mechanisms, including the four-year phase-in for railway contributions on volume-related costs to progressive shift of government payments from railway to producer and the agricultural adjustment payments over the next three crop years.

Indeed, in the release of the WTI in February, government indicated that one of the primary objectives of the major review proposed for '85-86 is to examine whether there should be a change in the producer's share of increased cost in the '86-87 crop year and beyond, bearing in mind trends and producer incomes prevailing and anticipated grain prices, etc.

As a result of the uncertainty and concerns within the formula, and given that a consensus may exist for long-term protection for the producer against an excessive freight cost relative to grain income, it should be constructive to consider a measure that will provide a ceiling to producer transport costs in any crop year relative to grain prices in that year. Provided such a measure would not affect the government's current commitment of $3.7 billion over the four crop years '82-83 to '85-86, except under highly unusual circumstances, it may be expedient to incorporate this safety net in the current proposed legislation. This should lead to an alleviation of the uncertainty facing many producers concerning the potential magnitude of rail costs relative to grain income. Such a measure encompassing net producer rail costs as a maximum percentage of farm prices is proposed for consideration.

The major objectives of the safety net to increasing freight costs is to ensure that the producer maintains an ability to pay relative to his historic contribution to freight costs. The following formula includes consideration of this historic relationship and provides for an assurance that whatever future volumes, inflation, or grain prices may be, the net freight cost will be below an acceptable maximum.

The calculation is first to determine a net producer cost per tonne, which would be equal to the total rail cost which includes all volume-related costs, all contributions to railway, and all line-related costs, netted by the total amount of government payments, which includes all payments to the railways, direct to the producers and the federal share of any cost increases as well as the agriculture adjustment payment. That would be divided by the total tonnage moved by rail under statutory rates. That will result in a net producer cost of moving grain by rail per tonne.

That number is then divided by a weighted average farm gate price per tonne which is to take the tonnage of all the statutory grains times their respective farm gate prices which are calculated by Stats Canada on an annual basis. That would then be divided by the total tonnage. That resulting ratio, which is the net producer cost per tonne, divided by his average farm gate basket price, should be less than 8 percent. So if the ratio exceeds 8 percent, the Federal Government would pick up all of the difference in excess of that 8 percent number.

The major effect of this measure would be to provide producers in general, the certainty that their rail cost in any given year would not exceed 8 percent of their average farm gate prices for grain moved by rail. All calculations could be made from readily available information and thus it would facilitate implementation. The payments in excess of 8 percent, if required, would have to be made in such a manner so as not to affect the calculation of the subsequent crop year. Determination could not take place until after the end of the crop year when all the information is available. Payments could be made in one of a combination of several means including: Reduction in the subsequent year's calculated freight rate through increase in direct payment to the railways; a direct payment to shippers of grain on the basis of the grain shipped, i.e. included in the Wheat Board final payment; and increase the payments direct to producers via the acreage payment.

The 8 percent maximum is based on a historic relationship between producer contributions to rail costs and farm gate prices. Calculations by the Canada Grains Council on the freight rate from Scott, Saskatchewan and a weighted basket price of wheat, oats and barley indicate an average share of 7.4 percent from 1925-26 to 1981-82. This ratio varies from a high of 41.4 percent in 1932-33 to a low of 2.7 percent in 1980-81. Neither of those are a reflective measure of a reasonable contribution of freight costs by producer; one is excessively high and the other is probably too low.

If one considers the 22 years, from the end of the Second World War, through to the introduction of The National Transportation Act and the corresponding introduction of branch line subsidies in 1967, as a period when the statutory freight rate, paid by producers was a fair proxy for total transportation costs, the ratio of the average freight cost of $4.88 per tonne to a price basket, including flax and rapeseed, of approximately $53 a tonne, is about 9.2 percent.

The proposed formula, taking into consideration that after the phase-in period, the producer would be prepared to pay up to 87 percent of this historic level - that's 87 percent of that 9.2 - the ongoing Crow benefit representing the difference.

In the past decade, the average farm gate price has increased and as such the statutory rate, as a ratio, has declined. The following table sets out the average basket value, the maximum under the proposed ceiling. In the last 10 years, the average farm gate price of all grain shipped by rail is $137 a tonne. The 8 percent ceiling would have seen that the maximum that the producer would have paid in that decade would have been $10.96 per tonne; what was actually paid was $4.88 and so on; for the last 5 years at $155 per tonne and a maximum of $12.40, and in '81-82, the estimate of $175 per tonne as being the basket would suggest that the producer would be prepared to pay up to $14 per tonne. It doesn't suggest that that's what he would pay but that would be the maximum that would be payable under this particular formula.

If the ceiling formula were in place then, an average rail freight cost of $14 in 1981-82 would have been the maximum paid by the producer. What's the impact on the Western Transportation Initiatives?

The following table sets out some calculations for this maximum, using the figures presented by Transport Canada in conjunction with the release of the information in February of this year. Since '81-82 costs to producers were unchanged from the statutory rate of $4.89, it begins with '83-84 and employs all of the factors for cost increases, tonnage and rail costs from the Western Transportation Initiative information and for their crop year calculations, so it looks at a progression from 32.1 million tonnes up to 40.8. The net result - we'll go down to the last two lines and I won't go through all the numbers - but the per-tonne calculation for '83-84 is $3.68 per tonne. That's the net producer cost in '83-84, which suggests that the minimum farm gate basket price would be $46 before it would be triggered. Now we're currently sitting around $170 a ton so obviously it's not going to come into effect in '83-84.

The '84-85 figure of $5.15 per tonne suggests a maximum or a minimum farm gate basket of $6.89; in '85-86 it's $86.00. We get to '86-87, the $11.18 net cost to the producer suggests $140 minimum gate before it would be triggered and that's within the realm of possibility, but unlikely, and it's not until we probably get into the 1990s that we'd actually have a concern, that if farm gate prices are low, if volumes are high, if inflation rates are faster than what are projected, then the cost to the producer will be higher than what his 8 percent figure is. What happens is that the assurance of the particular formula is that he would not pay anymore than 8 percent of whatever that number is.

In keeping with Tuesday night's activities, we've made some changes and you'll have that extra slip that we put into the document. Actually it didn't get photocopied - we didn't add $200 million to it, it just inadvertently didn't get put into the papers.

As is apparent from these calculations, it is unlikely that the 8 percent ceiling would be of consequence beyond 1985-86. However, with tonnage increasing beyond the 31.1 million cap, and the producer bearing an increasing share of inflation by the early 1990s, the burden of freight costs could become onerous unless grain prices keep pace.

A 31 percent increase from 31 million tonnes of grain in '81-82 to 40.8 million in 1991-92, coupled with over a $1 billion increase in rail costs from the '81-82 requirement of $803 million to $1.83 billion in 1991-92, $636 million of which is attributable to inflation, would require grain prices to increase by over 80 percent from the 1975 tonnage range in 1981-82.

Now the assurance of this proposed formula is that should prices not increase by that magnitude, then the producer would have the protection of the ceiling.

It was the view of the Manitoba Farm Bureau that such an assurance must be forthcoming as part of the total initiative package. There is a series of computer outputs that follow, where we've done various other calculations and I won't go into it but we looked at what happens if we vary the inflation rate, what happens if we vary the tonnages, to see what the impact is and what the effect of timing is. Just in summary, what it really says is that if there is increases in inflation or in tonnages which exceed increases in grain prices, then the amount that the producer is going to pay would increase. What this does is that it assures the producer, it provides a certainty that he would pay no more than 8 percent of whatever his farm gate basket is.

Now if we have any questions on this particular area I'm certainly prepared to go ahead and diagram how it all works and what the mechanics of it are, where the implications are.

Thank you.

**MR. CHAIRMAN:** Thank you Mr. Fulton. Are there any questions from members of the committee or members on the Farm Bureau presentation? No questions?

Mr. Uskiw.

**HON. S. USKIW:** My question is to any of the three gentlemen. The premise on which your position is based is the theory that, as I understand it, you may correct me if I'm wrong, the theory that by altering freight rates that we will have a much greater opportunity for diversified agriculture in Western Canada. It sounds good if it were to happen. My question is, if that were so, if we were to realize that objective pursuant to the changes that are being proposed, where would we market that increase production of other commodities?

**MR. CHAIRMAN:** Mr. Parker.

**MR. L. PARKER:** The first objective, Mr. Uskiw, is to remove the distortions and remove some of the deterioration that we've seen in the livestock industry and in Western Canada. If you look though at what has been happening to freight rates in regard to livestock products, it is obvious now that the cost of moving red meat from Calgary to the Pacific northwest coast is now considerably less than moving that same product to Montreal. There are opportunities there that perhaps have not been capitalized on to this point in time.

What we should point out is that it is only in the last eight to ten years that the distortions have started to impact severely, and if inflation continues of course those distortions will rapidly escalate in the future. If we're wrong, if there aren't the extra markets for red meats and processed products, remember that money, to the extent that it's in the farmers pocket, leaves him perfectly free to use it in any way he wishes. If he decides to continue to grow those grains that are under the statute rate he would do so. He would use part of that money to offset the extra cost of transport. If he decides to process that grain, either through hogs or cattle or to the local crushing plants, the same thing of course is true. That's what we mean in trying to get back as near as possible to resource neutrality.

**HON. S. USKIW:** I don't believe anyone is arguing - I shouldn't say anyone, that's a pretty broad statement - but certainly the Government of Manitoba and indeed the official opposition in Manitoba is not making the argument that the railways ought not to get fair revenue for moving commodities. We recognized a need there.

The problem that we have with the present package is that it's premised on assumptions that are supposed to enhance Western Canadian agricultural diversification. Those assumptions were based on the theory that we would, in fact, be invading Eastern Canadian markets with new production in Western Canada. Because that was so over sold, the Government of Canada was faced into a position on having to buy expensive ads in Eastern Canada, which in effect are convincing Eastern Canadians that in no way are Eastern Canadians going to give up a market to Western Canadian beef, or poultry production, or even oil production. There will be guarantees to Eastern Canadians that they will not be dislodged from their traditional market area.

So when we raised that question with the Minister of Transport for Canada, he said, yes, we really didn't want to sell the idea that the West is going to win at the expense of the East, but to the extent that you produce more commodities other than grain in Western Canada, you will have to look offshore for disposal of that extra production. That was a very candid answer and I appreciate it in that form. So, therefore, your whole submission here in stressing the opportunity and the need to make these changes to meet those opportunities fall somewhat flat on my ears, gentlemen, because I don't see much there. There may be, but it's a long road to hoe, and it's a development of foreign markets which are all protected. If they aren't sufficiently protected, there is no doubt they may be more protected than they are. We have no control of that.

So setting aside the one assumption and that is that we must have better capability of our railway system to deliver grain, we accept that. We may not agree with how to do that, but we accept that as a need. I have difficulty accepting the fact that there are these huge spin-off benefits that necessitate the acreage payment system . . .

**MR. CHAIRMAN:** Question, please.

**HON. S. USKIW:** . . . that raises me to the question, why would we want to impose on Western Canadians such a cumbersome mechanism in order to upgrade a railway system, mainly the mechanism of mailing out 150,000 cheques? Well, in fact, it would be more than that because your suggestion is that we do it three or four times a year as opposed to the Government of Canada mailing two cheques, one to CP and one to CNR, in order to meet that shortfall.

**MR. L. PARKER:** I think I will respond in this way. Over the past four or five years, there have been massive increases in pork production in the Province of Quebec. During part of that time period, we were in a deficit position in Western Canada in pork. The Quebec pork did not come this way because the freight rates don't allow it. It made more sense for the Quebec people to ship that pork into the Eastern United States where they had a freight advantage and to Japan where they had a freight advantage, believe it or not, or Alberta pork to Japan.

They argued within the Quebec Farm Organization at the CFA level that because they were increasing pork production, were on a North American market, it wouldn't have a major impact on prices. We agreed. Now, there is no way that the people in Quebec can now turn around and say if we do produce some more pork or red meat in Western Canada, then all of a sudden the bottom is going to fall out of the market. We're not likely to move pork. Our board is not moving much pork to Eastern Canada, as you well know. If I look at their Annual Report here this year, their exports to the U.S. last year went up 44 percent. Why did they go there? We're just saying that we want equal opportunity for our special crops and our livestock and poultry people, if there is a buck in it, if the most remunerative thing, they should have that opportunity.

If we're wrong, and I don't think we are, they will still have those bucks that are going into their pocket to subsidize or offset their increased freight costs on their export grains, but it will be their decision.

**MR. CHAIRMAN:** Mr. Uskiw, further questions?
Mr. Blake.

**MR. D. BLAKE:** Mr. Chairman, I think I will address it to Mr. Chambers. In Page 2 of your brief, in calculating the individual farmer's payments, under your source of data you mentioned municipal records to provide the number of cultivated acres per parcel of land. Has an official request been made to the Provincial Municipal Affairs Branch for this information to your knowledge?

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** Maybe some of the government side can answer. It is my understanding that it has been. I would indicate that it is in the Municipal Assessment record area that we will have the most difficulty with the data. Saskatchewan is pretty well completely computerized whereas we, in Manitoba, are only partially and Alberta is less so. It is in this area that there will be the highest amount of manual labour, etc., to get the data together. But the answer to the specifics of your question, I think the answer is yes.

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

**HON. B. URUSKI:** Mr. Chairman, in your brief on producer payment methods, do I understand the formula that you put forward is the formula that will be within the legislation being put forward?

**MR. A. CHAMBERS:** Yes, that's my understanding. I, of course, haven't seen the legislation but that's what their last recommendation was.

**HON. B. URUSKI:** So that you would have had a very major role played in the development of that formula, am I correct?

**MR. A. CHAMBERS:** Yes.

**HON. B. URUSKI:** Can you tell me, do you foresee a fairly large impact on what is traditionally known in the cow-calf producing areas of this province which, if I understand your brief correctly, would be totally or nearly totally excluded from receiving any benefits that originally were touted as being the benefits to the livestock sector?

**MR. A. CHAMBERS:** Earlier on I indicated that the purpose was to try to make the payment to those acres that are capable of producing Crow grains. In much of the so-called ranching area that is not the case. There also would be some provisions on requirement that the land would have to been in a permit book at one point, a number of years in the last five. Those ranchers per se will be largely excluded from the direct payments.

There will be an indirect benefit to the cow-calf sector in that the changes that we anticipate will reflect in a lower feed grain price than would otherwise be the case as under the present situation. That lower price, of course, is to be compensated for through the direct payment to the producers of that feed grain.

To the extent that Manitoba and prairie feeders bid for calves and are a factor in the price of those calves, the cow-calf sector on the prairies will receive some benefit. It's very difficult to put a number as to who sets the price; the eastern buyers or the prairie buyers. Certainly it will make the prairie buyers more aggressive in the market and will have some filter-down effect, very hard to define on the price of calves.

**HON. B. URUSKI:** Given the reduction and quite substantial reduction in the consumption of red meats in Canada and I would think probably over North America, what areas can you tell me - I know the Minister of Transport has now said that the benefits of increased livestock production may be a loser - can the bureau tell us where they see that kind of expansion occurring and how do they believe that expansion in the livestock industry will occur as a result of these changes and where?

**MR. A. CHAMBERS:** I'd like to respond to that if I could, Mr. Chairman, and the previous question as well.

There has been some carelessness in the terms of expansion versus stopping of decline, in fact. A good portion of what the benefit we see is to go back to what we would call a neutral situation which is to stop the deterioration in the economics of feeding hogs and livestock on the prairies. It's interesting, Mr. Minister, that I participated on another committee on agriculture policy in this province last year which attempted to do the same thing, to solve some of the problems of the economics in the beef industry, to not particularly expand the industry but to stop it from disappearing. There's a good portion of what is in this package that's in the same direction, to at least maintain what we have.

If the market expands, the red meat consumption goes up again, and if the economics becomes better on the prairies than elsewhere then our industry will expand. But at least we will be on an equal competitive basis with or without the transportation subsidy in whatever form it is. We simply want to apply it in a neutral manner so as to not further damage the users of grains on the prairies.

**HON. B. URUSKI:** Do I get the theory, the assumptions of the brief, are that we will have an expansion, or at least a maintenance of the livestock industry at the expense of the grain farm?

**MR. A. CHAMBERS:** No, that's certainly not the case. Of course, we worked very hard at finding a way that would resolve these two issues, try to maintain the grain farmers' incomes and at the same time not pose an additional cost on feed grain users, whether they be rapeseed crushers or whatever. No, you didn't hear me correctly, Mr. Minister.

**MR. CHAIRMAN:** Further questions.

Mr. Manness.

**MR. C. MANNESS:** First of all, gentlemen I tell you I support the attempt to remove distortions because I believe the Crow rate has hurt western livestock industry over the years, and the attempt to bring in some type of neutrality. I suppose one of the answers to my concern which I share with the Minister, that indeed there's no guarantee that livestock expansion will occur, is that if it does not, well then of course those producers will grow grain and they have the same right to share in any Crow benefit as indeed I do as a pure grain farmer.

However, I ask you, have all possible methods of removing a distortion been exhausted? My concern is that what we have here is a very complicated formula, one which in the long run may in some degrees pit farmer against farmer because they might not even understand, first of all the formula, and secondly the assumptions used are the basic elements of data basis used. Again have all possible alternatives been exhausted to remove again distortion and to provide neutrality?

**MR. CHAIRMAN:** Mr. Parker.

**MR. L. PARKER:** If we knew of other alternatives I would have hoped that they would have surfaced between January 1980 and the start of Gilson, or during the Gilson exercise, and the fact is they didn't. The Pools as I indicated did float an idea last August, almost a year ago now, but it got nowhere. For those of you who are not familiar with that Pool proposal I think we should talk about it a wee bit.

They were opposed to a payment to producers. They were proposing that method, but when it came down to a crunch they turned around and proposed that a direct payment be made to feed users. So they still hadn't got around to payment to farmers. On top of that of course, as you know they were proposing to fund that idea; one-third from the Federal Government; one-third from the provinces; one-third in the form of a levy or an increased rate to be charged to grain shippers. That was a Johnny-come-lately, but it died. Since that time, so far we know there's been no other ways or ideas put forward as to how to remove those distortions.

**MR. A. CHAMBERS:** Can I just make one additional comment?

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** We've agreed many times that the calculation is not as easy as it would be nice to have it. All the other ideas that we've tried out are at least as cumbersome, in addition have the difficulty of problems gathering the data. The main advantage of this particular proposal is that the data is in place and can be accessed.

**MR. CHAIRMAN:** Mr. Parker.

**MR. L. PARKER:** One other short addition to that. Subsequent to the Gilson exercise, as you will recall, he recommended that four task forces get to work right away. Three did, I was on one of them, we also had a rate task force and we had a Legislative task force. There was supposed to be a method-of-payment task force, however, mainly because the three Pools said no, we won't accept that idea, that task force was not struck. The Federal Government refused to strike the task force until they had made a decision as to whether they were going to go with the basic package. As soon as they made that decision and announced in on February 2nd the task force was struck, as I recall, Allan, the next day. We became involved immediately at that time. We had done a bit of work prior to that in preparation in case, but the task force per se didn't get going until February 3rd.

From our perspective some of this work should have been done way back last May and June.

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

**MR. C. MANNESS:** The safety net concept is one that I can support. I suppose I'm curious as to how the 8 percent figure was chosen and I know Mr. Fulton gave us some of the rationale but I'd like to reaffirm that in my own mind. Are you saying that, indeed, up till the inflation years in the early '70s that, indeed, farmers as a share of the revenue received were paying some roughly 8 percent of their total revenue towards transportation up to the inflation years known as the early '70s.

**MR. S. FULTON:** 9.2 percent is what they were paying and you're probably wondering why you go from 9.2 to 8 but from the end of the World War II to roughly mid-'60s when the necessity for branch line subsidies came in because of the losses that were been incurred in moving grain by the railways, the average freight rate or total freight cost paid by producers as a percentage of their weighted average farm gate prices, was about 9.2 percent. That period of time is a relatively good proxy when there was no profit in rail costs or at least diminished over that 25-year period such that they were in a loss siutation so it's a fairly good proxy of what real rail cost is and what it should be in a long term as a relationship to farm gate prices.

If we accept that the Federal Government has said that they will maintain a long-term Crow benefit, a payment, what we're suggesting then is that in the long term that Crow benefit should be no less than each individual year 1.2 percent of whatever that is and in the years when it's more than 1.2 they pick up all the rest of the difference, the 1.2 being the difference between 9.2 as the average if that happened to be average and 8 which is what we're saying should be the maximum that a producer should pay in any given year. There's nothing sacrosanct about the 8 other than one needs a number as being that particular maximum.

**MR. C. MANNESS:** Mr. Chairman, a couple of short specific questions to the formula. Is there any thought being given to changing the historical boundaries, in other words, the Crow rate boundaries that have been in existence for some 50 years. Does anybody have an idea as to whether those boundaries are to change?

**MR. S. FULTON:** There has been a change in redefinition of some of the boundaries where there were some inequities as a result of distances. The freight rate didn't really correspond to distance and those have been redefined and new rates will be incorporating those changes. In '85-86 in the review there's going to be a major review of some of the other factors that go into that rate setting but right now it's been a rationalization so that the distances and the rates are reasonable.

**MR. L. PARKER:** You know, of course, that's been done within the rates task force. Just a word of warning in that area and I'm sure the committee is aware of it. We want so far as possible, distance-related rates but neither do we want to get caught in the position vis-a-vis Prince Rupert where if we went totally on the basis of distance relationship we wouldn't be building a new terminal in Prince Rupert. So, yes distance-related, with caution.

**MR. C. MANNESS:** Gentlemen, I'm wondering if you can tell me what type of response you've had from the crop insurance agencies? It seems to me that they're going to become even more high profile than, indeed, they are because there's going to be a large payment coming to each and every one of us as farmers on a yearly basis and, of course, the base of that is going to be some historical and crop insurance data and it's going to be highly visible and focal because it's going to be the base for an awful lot of payment.

The first question, how confident are we that the historical base of crop insurance within the provinces is as it should be, and secondly what type of pressures will come upon crop insurance agencies to ensure that it is?

**MR. S. FULTON:** The part with respect to the data. The data that the crop insurance agencies has is very acceptable data in terms of being usable for determination of the calculations. Certainly there will be some appeals to a yield factor that may be on a quarter section that hasn't been insured in the recent past as to whether or not that's a fair rating for that particular quarter section but we don't perceive it to be an undue demand in terms of that particular activity.

I'd just like to go back, if I might, Mr. Chairman, to an earlier question that you'd raised which I think leads to some confusion where you're suggesting that the payment to producers is, in fact, a complicated formula and I'm going to try to explain in such a way to see whether or not, in fact, you do understand it because it is really quite simple. It gets complicated by a lot of other attachments that get put to it.

There's three basic principles in mind. You take the number of acres of cultivated land that can grow grain in a quarter section; you take the yield factor for that quarter section based on its historic productivity; you take the distance that that quarter section is away from the port that the grain is exported to. You use those three factors to determine what the payment is going to be for that quarter section and that's what the producer gets. That's as simple as the formula is, there is nothing more complex than that. Total cultivated acres, a yield factor and the distance from port and you can determine what it is that you want to determine in terms of the payment.

**MR. C. MANNESS:** Well, Mr. Fulton, I'm not going to enter into debate now but I can tell you that there are milk producers who have similar understandable formulas but yet only 3 percent of them understand how the price of their milk is arrived at and I can tell you there are crop insurance users that don't really understand the basis on which payments come out to them either.

My final question is, what does one say that supports Crow change, and I can tell you that I'm one of them, what do you say to individuals who are not large producers in the sense that they do not use high levels of fertilizer, do not use the latest management techniques and therefore their productivity per acre is much less than modern high-intensive input farmers. What do you say to them when, indeed, a 12 bushel wheat quota will remove all their production whereas in Manitoba over average we might require a 20 bushel plus. What is the benefit to them of paying more?

**MR. S. FULTON:** In fact under payments to the producers the benefit is to them, the disbenefit, if you will, is to the highly intensive farm managed activities because the crop insured productivity factor doesn't take into consideration management. It takes into consideration only the productivity capability of the soil itself and historic yields in an area. It is not the historic yield of that quarter-section, but of all quarter-sections in that area of the same soil type. So that farmer that does not have high volumes of production gets the same payment as that one that has had high volumes of production. His payment's based on acres, not on tonnes and as such, he gets a higher return per tonne than the one that produces more. So the converse is true.

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** Just to add to that. The fact that you've identified in a reverse way the major weakness of the proposal as I see it, is that it does not adjust for superior management or superior luck or whatever, higher yields.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Mr. Parker, you mentioned on Page 4 of your brief that the Farm Bureau was instrumental in getting canola and flaxseed oil and meal included for a couple of reasons. But on the basis of the Federal guideline No. 5, would you think there is any success of getting sunflower oil and meal included in the package, as has recently been drawn to probably everyone's attention, that its exclusion may cause some serious problems to that industry in Manitoba?

**MR. CHAIRMAN:** Mr. Parker.

**MR. L. PARKER:** Yes. As someone who grows about 300 acres of sunflowers a year, I know what you're asking. That's what I meant, I guess, by the phrase that it is dangerous to tinker with the Gilson package.

You must remember that the idea of a phase-in of payment to producers, that your livestock sector takes it on the chin while that phase-in takes place. In other words, they don't get a fair degree of equity until that progression is complete.

The sunflower guys and the fellows that are growing peas and all of the other special crops that are not currently under the rate are also going to have to suffer while that phase-in takes place. They are in no different a position than the hog guy, the beef guy, or the poultry people in that respect. That is why, of course, we put forward an argument for the Agricultural Adjustment Fund, and that's where that extra money came and will be paid out in the first two and three years.

Yes, the sunflower people have a point but if their commodity was brought under, what about all of the others that will suffer during that time? That is why we've come down and said, the crushers had a point. Maybe we were foolish to weaken to the crushers' argument. Maybe they should have waited for relief for eight years too. But their case was so strong they convinced us that if they had to wait that long, they were all going to be bankrupt.

Now the one crusher that gets caught is CSP Altona, and given. I accept that and I know what they're saying. But I patronize that plant too and I grow sunflowers, as I've said. But that's the danger. If we start ad hocking Gilson's suggestions and putting this in and this in and this in, where do we stop?

**MR. D. ORCHARD:** Right. I recognize the problem in what you're saying. I take it then that the Farm Bureau would not be supporting any effort to bring sunflowers under the proposal then.

**MR. L. PARKER:** You'll recall in the brief that we said in response to the Western Agricultural Conference that if we found out the feed grain pricing proposal in the WAC stood the test - which it didn't in Gilson eventually - but if it had stood up we would have insisted that all special crops, products and whatnot be brought under the rate structure, but that's as far as we went. That didn't size up, and now we are saying that the best alternative for Manitoba farmers is the phase-in itself.

Let me just add one more thing to that. I don't have the 1982 figures, and most of you around the committee are as familiar or more so than I am, but in 1981, farm cash receipts from livestock and products in this province were $621 million. From all grains and special crops, there were $974 million. I mean that tells the story of the importance of getting a fair deal for livestock and products. In that special crops sector, Don, 15 percent of those cash receipts - in fact it was 15.4 percent in that year - were the special crops and it's important that they get relief, I agree with you entirely on that one. But we think the best hope is that phase-in.

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** Just to add to that, it's important that the phase-in continue after the review period. We are concerned that the legislation isn't going to be clear that the phase-in should continue after that review period. We would very much hope that we would get support in urging the government to continue that in, and therefore that will eventually remove most of the distortions against your sunflower producers and against everybody else.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** One more question to Mr. Parker. I assume the weighted farm gate price of three major grains, that's wheat, oats and barley. Am I correct there?

**MR. L. PARKER:** Yes.

**MR. D. ORCHARD:** A question to Mr. Chambers. In developing your formula, I would assume that a farmer's land base would include owned as well as rented land.

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** Yes. There has been a fair amount of discussion around that point. Although there may be some rental agreements that initially would be somewhat unfair to the owner of the land, we felt that in fairly short order that rental agreements would adjust and that there would be redistribution of the benefit in a fair way. But the only reasonable way to distribute the monies initially would be to the actual operator of the land or the renter.

**MR. D. ORCHARD:** Just one comment on that possibly, that might introduce a yearly change factor in there where you've got your rental farms, and the administration of that could become a little more nightmarish.

**MR. A. CHAMBERS:** Well, I'm not sure, Mr. Chairman, that nightmarish is the right term. Each year when the individual would apply for his permit book, the data would be taken off the application of the permit book as to what land he is operating in that current year and, therefore, what payments he would be eligible for.

Just as an aside, there is a side issue in this whole area, and that is that the acres recorded in permit books and the use of land will be forced to become much more accurate than we now have as a result of these changes.

**MR. D. ORCHARD:** Pity. I'm not sure of the number. Someone around the table should have it. How many permit holders have we got, Canadian Wheat Board permit holders?

**MR. A. CHAMBERS:** A 145,000 this year, more or less.

**MR. D. ORCHARD:** Thank you, Mr. Chairman.

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

**MR. J. DOWNEY:** Thank you, Mr. Chairman. I'll try and be fairly brief. A couple of questions, one basically dealing with your presentation dealing with the safety net. How widely has this proposal been advocated or dealt with or explained across the prairies, basically dealing with the concept of tying the freight rate to the return that producers get for their grains?

**MR. L. PARKER:** Yes. We tried during the Gilson exercise, Mr. Downey, to get this idea fleshed out; I guess those were the right words at that time. One of the major players around the table felt that they didn't have the mandate to agree that the farmers should pay one cent more, so they weren't going to get involved in discussions of anything, even any similarities to this. It didn't happen during Gilson.

A group of us took it upon ourselves - About a month ago, Sheldon, I believe? Involved in that meeting were the Farm Bureau. I believe the Canada Grains Council made some input. Both the Saskatchewan and Alberta Governments were involved; Alberta cattlemen; the commodity groups; Alberta Wheat Pool and I believe they were representing the three Pools that day - I may have forgotten some - were involved in that very intensive one day technical session. We sent Sheldon Fulton to that workshop.

They put together the nuts and bolts. We presented that, as we have to you today, to our last Farm Bureau quarterly meeting. In principle and in much of the detail, they think that we have a runner in the Bureau. We didn't put it forward today as a firm, finite position and that's really why we're, you know - Sheldon indicated there may be some flexibility in that 8 percent figure. We wanted to get some exposure. The Farm Bureau and various groups have it now and we are currently getting feedback. So far though, from what we've heard - and this is right across the west, not just in Manitoba - it's very, very positive. I don't know whether that has answered your question, but that is the best I can do right now.

**MR. J. DOWNEY:** You answered the second question without me asking it. Mr. Chairman, to the President, in principle it seems as if it is a concept that the majority of the agricultural community could live with.

**MR. L. PARKER:** Yes, and that's why I stressed that if there is common ground in the west, if we get our act together and hammer hard in front of the federal committee, maybe we can get it in the bill, but it's going to take some unanimity out west to win it. They have to make concessions and this one, we think, has a high priority.

**MR. J. DOWNEY:** To the President, in view of the fact that the Federal Government have the authority over national transportation and that you as farm groups, as all farm groups, were invited to participate in the negotiations and that such things as we've just mentioned could be possibly put into place to benefit the farmers of Western Canada following the process of negotiation, do you feel that you still have, before the legislation is tabled and finalized, the ability to continue to negotiate and make changes that would give the kind of protection that I believe the majority of people want in statute?

**MR. J. PARKER:** I'll have to give you an honest answer to that one, my guess is that the changes will be made if they're going to be made in committee and not before. That's why I stress it's important now that we get as many organizations, if possible, as many provincial governments, out here onside on this one in principle.

There is one other point I think we should make and I'm not sure whether we stressed it in regard to the safety net. We're looking at the safety net as a ceiling. We're not talking about forever and a day tying the rate to the price of grain. There's a danger in that one and if you don't think so ask the costing guys, for example, in Alberta Pool. No way, because if you go that way, it'll be run as a stabilization fund and you'll pay through the nose when grain prices are high, to throw in the trough when they're low. So, I stress that, tt's a safety net working as a ceiling.

**MR. CHAIRMAN:** Mr. Chambers.

**MR. A. CHAMBERS:** I'd like to make an additional point. Probably, if we attempt to push the number much below 8 percent then what we're going to be getting into is, in fact, a stabilization fund with producer money and so on. It's not likely we'll be able to push it down below that, so that's a consideration.

**MR. J. DOWNEY:** In view of the fact that we are a legislative committee dealing on an issue that we have no jurisdiction in, dealing in an area where none of the provinces were invited to participate in, how can input now go from the exercise that we're going through to influence the Federal Government on the proposals that are being made.

**MR. L. PARKER:** Well, the same as we did during Gilson. If the province wants to make input through the bureau or the committee they can do it, but there's absolutely no reason at all why the Province of Manitoba cannot make a presentation in front of the Agricultural Committee when the time comes if they see fit that this idea of a safety net has merit.

**MR. J. DOWNEY:** Mr. Chairman, I wasn't only talking about the safety net principle, I was talking about any changes; for example, the cap of 31 million tonnes or the inflationary costs, those types of things.

**MR. L. PARKER:** I think my answer would be the same. You'll note though that we were instructed, and I didn't put priorities on the recommendations we attached to the brief, the bureau says we still want to do our darnedest to get that 6 percent figure down after 1985-86, because this ceiling, if Mr. Fulton's calculations are correct, will not trigger extra federal dollars until sometime perhaps in the early '90s and if we can chop that 6 percent figure at all, then we're going to be money ahead. So, we will be pushing both of those ideas.

**MR. J. DOWNEY:** I believe you indicated in your brief, Mr. Chairman, through you to the President, that if nothing had been done, absolutely no negotiations had taken place and no incentives put forward by either the Federal Government or any of the farm groups, that in fact we would have a major loss of economic income to the Western Canadian farmers and in fact would be in a very tough situation at this particular time. Did I read your brief correctly in that manner?

**MR. L. PARKER:** Well, the record is clear in the past. I have to admit in the current year and, of course, our ability to move and expect the 30 million tonnes this year is a direct result of the slowdown in the movement of other bulk commodities, but I can recall very vividly sitting around a wheat board advisory committee and batting our heads against the wall when we were turning down sales for two years and more in a row because we didn't have the rail capacity, and I hope we never get back in that situation again. That's why we were able to draft the kind of letters signed by the people who signed them that are attached as appendix. In essence, we were telling the Federal Government to get off the pot and we're now telling them, for Pete's sake get the bill out so we know for sure what's in it. Right now we're all second guessing and if want amendments we'll put them forward at the proper time during committee.

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

**MR. J. PLOHMAN:** Mr. Parker, do you think that your position put forward by the Farm Bureau now represents a consensus of western producers?

**MR. L. PARKER:** It depends what you mean, Mr. Plohman. In a democracy we'll never get total consensus, as you well know, and I hope we don't. I don't want that kind of a system. But the fact is, around the bureau table we still have 16 member groups that are strongly arguing for change. We're not entirely happy with the package as we've pointed out and we want some changes made and we're going to go after those changes. But the worst possible thing would be if there was a total pull back of the federal initiative leading to an inability to export grain two, three or four years down the road. We paid for that one once and I hope we don't have to do it again.

**HON. J. PLOHMAN:** Mr. Chairman, I'd just like to ask Mr. Parker, how many producers do you feel you represent through the Farm Bureau?

**MR. L. PARKER:** Well, how do you count numbers? How many hog producers have you got in the province? Close to 4,000; they are represented around the bureau table. We have the cattle organization with something like 11,000 farmers; we have United Grain Growers, I'm not sure how many members they claim in this province, but it'll be in the neighborhood of 10,000 to 12,000 and there's duplication in all these figures; we have the Turkey Marketing Board; we have the Egg Marketing Board; we have the broiler people; we have the sugar beet growers. I can go down the whole 16 list, if you will.

**HON. J. PLOHMAN:** No, it's okay.

**MR. L. PARKER:** But, in essence, they told me to write that letter as recently as March 28th.

**HON. J. PLOHMAN:** You say they told you to write that letter. How do you know you represent the views of those producers?

**MR. L. PARKER:** Because all of those member groups around the bureau table elect their people and their delegates and, you know, appoint or elect their executive members to the bureau, most of them annually; and when the delegates of the bureau come together, some 50-odd, at their annual meeting, they elect their president annually.

**HON. J. PLOHMAN:** Do the individual producers have a say in the proposals, or vote on it, or are they asked for their views on the position that was put forward by the bureau?

**MR. CHAIRMAN:** Order please. Mr. Manness on a point of order.

**MR. C. MANNESS:** Mr. Chairman, I thought the witnesses came forward to present briefs and we were going to ask questions pertaining to the briefs, is there a change in that format?

**MR. CHAIRMAN:** To the point of order, Mr. Plohman.

**HON. J. PLOHMAN:** Yes, I think it is significant to know, and I believe the precedent was set in earlier hearings by Mr. Downey, when he asked a number of people at various organizations represented, because we have to look at the matter in the resolution about the consensus, whether we feel a consensus is necessary, and I'm just trying to determine whether the people from the Farm Bureau feel that they represent the views of the member organizations and that they do have a consensus.

**MR. CHAIRMAN:** Mr. Orchard to the same point of order.

**MR. D. ORCHARD:** Mr. Chairman, my honourable friend is correct that membership numbers of organizations have been asked. That question was asked and answered. I don't think Mr. Downey ever asked whether each individual member of a given organization agreed with the point that was being presented by the person representing that organization, which is what Mr. Plohman is now asking, which I suggest is not in order, Mr. Chairman.

**HON. J. PLOHMAN:** Mr. Chairman, I didn't ask if they agreed, I asked if they were consulted.

**MR. CHAIRMAN:** To the point of order, gentlemen. There have been questions, by various members during our meetings, of individuals as to whether or not they belong to political parties; whether or not they spoke for different groups to which they belonged; whether they were there as just a private citizen or representative of the local group, as opposed to the provincial group; what their readings were; the feelings of those groups. I understand why those questions are asked. I have never ruled them out of order in the past, but I do agree with Mr. Manness that they're not the primary purpose we're here, so I would suggest to other members, who have intent to ask such questions, both of this presentation and of others, to keep the number of those questions to a minimum, please.

Please proceed, Mr. Plohman.

**HON. J. PLOHMAN:** Mr. Chairman, Mr. Parker did mention that there are thousands of farmers represented in Farm Bureau and I just simply ask whether they have been consulted with regard to the proposals that are being put forward.

**MR. L. PARKER:** I think I'd answer in this way, Mr. Plohman. The Farm Bureau is a federation, as is the case with the SFA, and Unifarm, and UPA in Quebec, and so on and so forth. The positions put forward by the different commodity groups are developed by those commodity sectors, so what their delegates, or their executive member, are saying I have to assume is the majority position as expressed from their particular group, and it's on that basis that Farm Bureau policy is established.

Now, the cattlemen are here through Al Chambers and he can speak for them, I can't. I don't sit on the board of any of those individual commodity groups at the current time.

**HON. J. PLOHMAN:** Mr. Chairman, I wonder if Mr. Parker could tell me whether, with financial conditions as they are for farmers of Manitoba, whether he feels that they are able to pay for the changes, or for what was negotiated up by the Farm Bureau?

**MR. A. CHAMBERS:** Well, of course, the package is not specifically the proposals of the Farm Bureau, as I'm sure you're aware. Certainly, in terms of the ability of individual producers to pay any more for any product we're buying, whether it be freight, fertilizer, or whatever, the price relationships on grain and many other commodities couldn't be worse. The specific additional costs in the first three years are quite minimum, in fact, as we pointed out with the Adjustment Fund, in fact, the net freight rate to Manitoba producers will probably be lower in the next crop year. So, certainly we don't have a lot of room to pay more at this point, or hopefully, to cover our costs of fertilizer and other kinds of things, the situation will improve dramatically in the near future.

**HON. J. PLOHMAN:** Just one final question. You stated in the first page of your brief that the railways would have to be paid if the grain was to be moved. I'll just ask you how you feel that this is going to be guaranteed and how much faith do you have in the guarantees?

**HON. L. PARKER:** In terms of the performance guarantees, this is what you're getting at? Okay, we saw fit during Gilson, and I think it was supported by all players around the table, to recommend that the current grain transportation authority be given permanence in the new legislation, and Gilson called it Central Co-ordinating Agency, or some different name. It's that body that has an overall advisory committee, a committee that is now known as the Senior Grain Transportation Committee, and that committee is to be expanded. Let me tell you who is on that committee: all eight of the major grain companies are on it, so that includes the four major grain co-operatives; the Wheat Board sits on it; the Canadian Grains Commission sits on it; the two railways sit on it; and we're proposing that we add three farmers, one from each province, to that senior committee. They will have a number of roles, amongst which is looking at the performance of the railways and all other players in that system. They will be running a tally system, if you will, and if they see opportunities for improvement in the system, if they see potential savings that can be made - and I stress "shared" by all players, including farmers - if those potential savings are approved by the senior committee, that I've just described to you, only then is it likely to happen. That is the kind of control system that we have attempted to build in, and that is the task force that I sat on myself. If the nuts and bolts of that task force are in the legislation, and I stress that word, Sam, "if", because that's the first thing that I will be looking at, I will be satisfied that there's adequate protection there.

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

**HON. J. PLOHMAN:** Just one question further to that. Then you're saying that couldn't be done under present conditions? That farmers are going to have to pay more in order to get this guarantee in the legislation.

**MR. L. PARKER:** Yes. What have we got now? We have a Crow rate of half-a-cent-a-ton mile. We had a National Transportation Act in 1967 that brought in a branch line subsidy but certainly didn't pick up all the railway costs. We didn't have enough clout to keep the system whole. Surely we've got to do better than that. But we want that kind of assurance and we want it in statute and we've all said that from Day One. That's why we've got to see the bill.

**HON. J. PLOHMAN:** How much, Mr. Chairman, do the producers have to pay to get that in statute? How much is fair to you?

**MR. L. PARKER:** I'm not sure I quite follow that question.

**MR. CHAIRMAN:** Can you rephrase the question please, Mr. Plohman?

**HON. J. PLOHMAN:** Well, essentially, Mr. Chairman, what Mr. Parker is saying, that we have to get those guarantees and I guess to do that we have to pay more. How much more? How much should farmers have to pay to get that guarantee?

**MR. L. PARKER:** Okay, well the figure as we indicated in our brief that we put forward, was that there was a willingness on the part of the Farm Bureau and the people we represent, to pick up not more than the first 3 percent of increased costs annually. That was our position within Gilson.

Now we've said, in essence, we've achieved that up until 1985-86. We rebel against the 6 percent figure and that's why we're arguing either for a reduction in that 6 percent, and/or the implementation of a safety net.

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

**HON. S. USKIW:** Just one question, Mr. Parker. Of the 16 member groups that you alluded to make up the Farm Bureau at the present time, is Manitoba Pool one of them?

**MR. L. PARKER:** No, they're not, as you well know.

**HON. S. USKIW:** They have not come back to your organization?

**MR. L. PARKER:** Not as yet and I haven't been on the committee that has been negotiating with Manitoba Pool. That decision will be made by their delegate body and not by the board. The chances are that would not happen until next November.

**HON. S. USKIW:** Then I have the logical second question. Can you truly claim to be representative of the grain sector in Manitoba, without Manitoba Pool being part of that? In other words, if Manitoba Pool comes out with a different proposition than what the Farm Bureau is proposing, it seems to me that the weight of the grain industry would lie sooner with Manitoba Pool than it would with Manitoba Farm Bureau. Would that be a fair assessment?

**MR. L. PARKER:** Of course, if you had Manitoba Pool in, you would be in a stronger position. But let's take a look at some of the common ground.

Manitoba Pool was the first organization to say that changes had to come and that the farmer was going to have to pay a part of those increased costs under statutory protection and we agreed entirely with that. The difference has been entirely around the question of method of payment. Now, if they have been able - and so far we haven't seen anything that would remove the distortions - fine.

**HON. S. USKIW:** Could you envisage the Government of Canada, ignoring the main thrust of Manitoba Pool, Sask. Pool, Alberta Pool, if they were in total opposition to the package as it is, or if they were not prepared to accept the package - and I'm asking that because it has to be assumed that they are big players in this game and I know that can be challenged from many quarters - but they do have the credibility of speaking for the grain industry, by and large, throughout the country. Would it seem logical to you that we can have new legislation, or the scrapping of the present arrangements, without a consensus that involved the pools of the prairies?

**MR. L. PARKER:** You'll have to ask the pools that one, not Lorne Parker. But I might say in a personal vein that Manitoba Pool gets about 90 percent of my grain and they don't represent me on this one and I'm not the only member of Manitoba Pool that doesn't feel that way, they represent a majority. But we're not without grain representation. Don't forget the United Grain Growers still is a member of, don't forget that Manitoba Pool was a member of the Bureau and argued strongly and pushed me, as president, to get to the negotiating table. The mandate that I was given when I was president for the first year-and-a-half or so, was to devote, almost exclusively, my time to get to the negotiating table, period.

**HON. S. USKIW:** I think you misread my question, Mr. Parker. What I was really wanting to know from you, and it's an opinion I'm seeking, whether or not any government in Ottawa could put together a package that didn't have the support of the pools.

**MR. L. PARKER:** You'll have to ask the government that, but I would also turn the question around. I don't think that they can ignore the position of the crushers or the livestock and poultry people anymore than they could the grain sector. There has to be balance.

**HON. S. USKIW:** Would you agree with me, though, that the grain producers on this issue are the ones that have the most to gain or to lose, and are the ones that ought to be consulted more so than other sectors?

**MR. L. PARKER:** Whether you can quantify that or not, I'm not sure. But I know what the losses were in the two years we talked about and that was a direct loss to the grain producer. Now what is the loss going to be in the future? It will depend on the capacity of system and what the markets are. That's my concern as far as the grain person is concerned and a costing formula that's within reason. That's why I think we are going to find that there is a lot of common ground on this safety net, whether it's Manitoba Pool, or whether it's the Farm Bureau, or Alberta Pool, or any other organization in the west. That's the missing part.

**HON. S. USKIW:** Mr. Parker, would you feel that it's reasonable on our part, as a provincial government, to conclude that since Manitoba Pool broke off from the Bureau on this issue, that there is no way we can say there's a consenus on this issue in the Province of Manitoba?

**MR. L. PARKER:** What do you mean by a consensus?

**HON. S. USKIW:** Of the farmers that are affected by this issue?

**MR. L. PARKER:** How do you define consensus?

**HON. S. USKIW:** Well, Mr. Parker, I'm not sure that I want to be the one defining it, excepting I would think it would have to be what would be considered to be a majority opinion of the people that will be affected, the people that now enjoy what is there by statute and which will have to be giving up something that they know is there, in place of something that they may not like.

**MR. L. PARKER:** I think there is a consensus for change and that includes Manitoba Pool. We've never been told different.

**HON. S. USKIW:** That's fair enough.

**MR. L. PARKER:** Maybe not by all their members and I accept that, but the vast majority of their delegate body has been voting for change.

**MR. CHAIRMAN:** Further questions? Seeing none, gentlemen, thank you very much for your presentation here today.

Before I call the next person wishing to present a brief, I'd like to point out to members of the audience, that normally exhibits are not allowed in the Legislative Assembly or in Standing Committees thereof.

When we started our meeting there were some signs at the back. I did not raise that point. However, there are now two signs which have wandered to the front. I would like the owners to put them back where they were when we started the meeting so that we don't have those kinds of disruptions here in the meeting.

Mr. Uskiw.

**HON. S. USKIW:** Mr. Chairman, I would like to move that all offensive signs be removed from the hall. Well, I think it's quite obvious.

**MR. CHAIRMAN:** Your Chairman will have some difficulty determining, if you pass this motion, what is offensive.

**HON. S. USKIW:** Well, Mr. Chairman, if you want I'll elaborate for you.

**MR. CHAIRMAN:** Mr. Uskiw, would you elaborate so that I know.

**HON. S. USKIW:** Mr. Chairman, I believe any sign that defaces an institution or a person in some way, I think, is offensive, and to that extent I think it's uncalled for in this hall.

**MR. CHAIRMAN:** It's been moved by Mr. Uskiw, no seconder is required. What is your will and pleasure? Is there any debate?

Mr. Uruski.

**HON. B. URUSKI:** Mr. Chairman, I think your suggestion in moving the signs to where they were was a good suggestion.

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

**MR. J. DOWNEY:** I would like to see the signs placed at the back of the room. I think that would be appropriate because it is a legislative hearing and a formal process, and would show courtesy to do that.

**MR. CHAIRMAN:** Well, I have two opinions, one to remove all offensive signs, the other to have the signs kept at the back of the rooms. I'll put the question on the motion.

All offensive signs to be removed from the hall. Those in favour? Five. All opposed. The vote is 5 to 5. You forgot to count Henry Carroll.

My original suggestion was that the offensive signs be removed to the back of the hall and that no signs . . .

**HON. S. USKIW:** A point of order, Mr. Chairman. I think we should have that vote again.

**MR. CHAIRMAN:** Oh, the Clerk says she may have counted 5 to 4.

All those in favour of Mr. Uskiw's motion, please raise your hand. All those opposed to the motion, please raise your hand.

The vote was 5 to 5. I declare the motion lost.

The original proposal was that all signs be moved to the back of the hall. If individuals are in possession of offensive signs, they can take it that certainly the concern of the committee is that offense should not be given and you can use your own judgment. But I would ask that the people who own the signs that are up at the front of the hall please take them away now.

Seeing no movement, I'll ask the Clerk to remove those two signs. Please take them from the hall since the owner denies ownership.

Mr. Bill Moore please.

**MR. B. MOORE:** Mr. Chairman, my name is Bill Moore, and as most of you know, I'm a candidate for the New Democratic Party in the upcoming May 24th federal election, in case someone had to ask me of my political viewpoint.

I hope no one figures that my sign of "Keep the Crow" is offensive, but I should say to the committee that it is offensive to all the farmers of this area to suggest that the Crow be done away with.

Mr. Chairman, too often economic questions are dealt with assuming a rational model. According to the computers, like the brief we just heard, if only we were rid of this anachronism called the "Crow rate", we would have an efficient transportation system. Neglected in this corporate model of society are the people who actually produce food because they prefer a rural way of life. The banks and the railways do not feed people - farmers do.

Those not aware of economic, political, social and cultural significance of the Crow rate might think a fixed rate for grain transportation is as ludicrous as would be regulating the price of chocolate bars, but Canada itself is an economic absurdity created by political interference in a continental market where natural trade flows north and south.

The decentralized political economy of prairie Canada has never fit the market economic model. The Canadian Pacific Railway and the settlements which followed its construction were made possible by a national policy of subsidized transportation. Not anxious to see mineral traffic in southern British Columbia siphoned off by the American railways, the Canadian Pacific Railway agreed to the Crow rate as a condition of public subsidies to build the Crowsnest Pass line. Over the years the Canadian Pacific Railways have received subsidies which if adjusted to present-day values would amount to over $13.5 billion.

The Crow rate opened up the grain economy and prevented non-agrarian capital from exploiting the prairie region. By preventing variable freight rates, the Crow made inland grain terminals uneconomic, but the international grain companies are anxious to move in once the barrier has been removed.

Variable freight rates will change more than the elevator system. Ending Crow will centralize and stratify prairie society, making farmers and workers less aware of each other's contribution to the community. Today the elevator agent knows farmers, their families and their problems and is a respected member of the community. Division of labour in inland grain companies will isolate workers from the farmers and relegate many of them to repetitive mundane tasks, alienating them from the new industrial process. For the farmer, delivering grain will mean long truck hauls and waiting in line-ups.

As farm incomes are reduced, ownership of land will be concentrated into fewer and corporate hands. Those farmers who cannot afford to expand will have to quit farming and work off the land. This will reduce the number of farm families to support community businesses and services. The quality of life in small towns will decline and social infrastructure made redundant will have to be replaced at a higher cost in the cities to which the landless will have to move.

The Federal Government says it must risk this social disaster in order to provide the railways with a higher return on investment. Presumably the railways will increase the production of transporation service if they are paid more for each tonne of grain they haul. That is what the government assumes will motivate the railways. The very same people, the very same government also say that the way to motivate the farm family to produce more is to pay them less per tonne.

The Crow debate is fundamentally a conflict between two economic cycles. The Crow rate protects farm income from high transporation costs, funneling farm spending through local businesses linked to the wider economy via the incomes of workers making trucks, tractors, and other farm supplies. Ending Crow shortcuts this decentralized economic path and siphons farmers' money into railway corporations, much of which will flow out as dividends and investments in real estate.

If the Crow is ended, the drop in farm income will be much more than the extra billions of dollars farmers will pay the railways. Without Crow, the price pooling and quota systems of the Wheat Board will collapse as multinational grain companies integrate the Canadian grain economy into their international operations. As a result, the value of grain sold will not go to the person who produces it, but to private grain companies which will buy grain at low prices and resell at high prices.

When railway rates and seaway tolls are increased in Canada as the government plans, the foreign grain companies will find it much less expensive to divert our grain to Minneapolis where it can be loaded on barges for low cost transportation to New Orleans. The multinationals will own the inland terminals on the prairies, own or control the rail hopper cars, and own the export elevators in New Orleans. Gone will be the Canadian control of the grain economy and thousands of railway and grain handling jobs in Canada.

Many people are asking themselves why the Federal Government is trying to change the Crow. Of course, money is an issue and the government hopes its formula will transfer the cost of hauling grain to farmers, but we cannot ignore the power of large corporations when they threaten to withhold service or investment. Ordinarily, we would think of a regulator regulating the utility. In this case, however, we see the Canadian Pacific Railway using the monopoly privileges it has been given by the taxpayers of Canada to regulate government policy. The Minister of Transport tells farmers they cannot have a modern transport system unless the CPR gets its way.

We have the Minister of Employment and Immigration telling railway workers they cannot have a job unless the CPR gets its way. The railway worker is the decoy of the government transportation plan because there are actually going to be fewer jobs with the government plan than there are today with the Crow. After all the concessions made by government, the railways are actually going to invest 22 percent less in 1983 than they did in 1981 when, supposedly, they lost hundreds of millions of dollars on Crow. Less investment means fewer jobs.

The Minister brags about $15.5 billion the railways are going to invest in the coming decade if they are allowed to change the Crow. The railways have an escape clause in their agreement with the government, allowing them to reduce that amount after the Crow rate is gone. So much for investment and service guarantees by the railways. Mr. Chairman, members of the committee, the CPR has nothing to lose and has a country to gain.

The New Democratic Party alternative to the Pepin plan will create hundreds of thousands of jobs upgrading the railways while keeping the Crow rate for farmers. It will not cost the taxpayers any more than the Pepin plan but will create more jobs because, unlike Pepin, it will prevent public money from leaking out of the railway system.

We want a new deal with the railway companies. Instead of continuing with straight handouts, as Pepin proposes, we will pay the railways only for their actual losses hauling grain. Public money invested in the rail system for expansion and upgrading will give the people of Canada equity in CP Limited and increase their equity in CN.

We know the farmers of Western Canada in general and the farmers of southwestern Manitoba in particular will support our alternative. We are, we believe, the only party offering a plan to keep the Crow and create jobs upgrading the railways. The federal Conservatives oppose the Pepin plan, but we do not know what they are for. They say they would keep the benefit of the Crow, but they do not say, keep the Crow rate.

They do not tell us they support the Crow because they had the same plan as Pepin is pushing. It was the federal Conservatives on November 7, 1979, who said their government was going to open up the Crow; it was the Conservatives who appointed the present Deputy Minister of Transportation who is the chief engineer of the Pepin plan.

One of these days, they are going to have to pick sides. Do they support the farmers, or do they support CPR? Do they support the farmers, or do they support Cargill? The Crow or Pepin? I don't think we can wait for the federal Conservatives to make up their minds.

The government, railways, and coal companies have a media blitz to change the Crow, but they lack the essential support of farmers on the land. We would, quoting an American presidential candidate, remind the Federal Government and remind the committee when he said, "If we take care of our farms, our cities will flourish and prosper, but if we neglect our farms, grass will grow in the streets of our cities."

Three Royal Commissions have recommended that the Crow rate be maintained because all Canadians benefit from the foreign exchange - indeed over $4 billion - earned by grain exporting farmers and made possible by the Crow rate. If the railways are indeed losing money hauling grain, the entire nation - not just western farmers - should pay for the proved losses.

I note that the Federal Government proposal does not create one job in the federal constituency of Brandon-Souris, not one penny of investment, yet millions of dollars of the investment required is expected to be paid for by the farmers of this area. I say to you, Mr. Chairman, that the farmers built and paid for the railroads and transportation of this country once and they should not be asked to pay a second time.

I wonder why the federal program excludes any development for the Churchill Port. Solving the problems of permafrost would cost only a fraction of the Pepin proposals for the Rogers Pass or for the upgrading of the Prince Rupert line. If the Federal Government is indeed serious, it must set aside $200 million to $250 million for investment in grain handling to and at the Port of Churchill.

I believe that the farmers of Western Canada are entitled to the continued benefit of the Crow rate. Why should farmers, plagued already by the cost-price squeeze, be asked to pay for the total upgrading of the railway system when not only did they pay for that system once, but only utilize 13 percent or 14 percent of the capacity? Why should the farmers of Western Canada pay for the upgrading required to provide for the transportation of coal, sulphur and potash?

I remind you, Mr. Chairman, and members of the committee, of what Mr. Justice Emmett Hall, who headed the 1975 Royal Commission on Grain Transportation, said, "If once tampering with the statutory rate is accepted or condoned, or is an item on the bargaining table, all will be lost. For once the subject is on the bargaining table, it will be only a matter of time until it is lost step by step."

If the farmers of this country operated their farms under the business principles of the railways, they would stop growing food and would invest in shopping centres or in oil wells. I agree that stockholders are entitled to a return on their investment, but then so should the farmer. Were it not, Mr. Chairman, for the dedication of farm families taking little or no return on their investment, taking wages often below minimum wage levels, Canada and much of the world would go hungry.

Not included in your written brief is another item that I would like to bring to your attention. It is those who try to separate CP Rail and CP Limited. CP Limited says its rail division, CP Rail, should not have access to the profits and borrowing capacity of non-rail resources. For example, in 1981, CP Rail provided 26 percent of its parent, CP Limited's profits, but received only 14 percent of the parent's investment budget. The obligation to provide modern transportation service cannot be separated from the parent, CP Limited, which is a legal entity, formerly called Canadian Pacific Railway Company, bound by an 1881 contract to thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway.

I am amazed to hear people say that, in the new bill, they want to see protection. They want to see statutory rates included in whatever the new bill is. There are statutory rates now, but that doesn't stop those who would benefit most from lobbying to have them thrown out and a statute put in the books that will be much more beneficial to them.

Parliament intended that the last land grants and other gifts to CP were to permit the CP syndicate to finance the railway's ongoing operations. A 1902 statute allowing CP to develop these resources makes it clear the company could not divorce these new powers in any way from the original railway purposes for which the company was formed.

Canadian Pacific Limited, not CP Rail, is a body which applies to the Canadian Transport Commission for operating subsidies, the body which signs agreements with the Government of Canada for branch line rehabilitation funds; the body which exchanged letters with the government on a deal to cancel the Crow.

The guaranteed annual income provided in the Pepin railway plan is based on the rate of return on investment earned by CP Limited, not by CP Rail. Shareholders buy common shares of CP Limited, not CP Rail. The Pepin plan will force taxpayers and farmers to restore shareholders' equity in CP Limited to predepression levels, which levels were not the work of private capital but of public grants. The price of CP Limited shares fell in 1982, not because of the Crow rate - CP's profits actually remained steady - but because of slump in energy and real estate markets. The price of CP shares increased $4.00 in the first month following the announcement to cancel the Crow.

Mr. Chairman, I urge your committee to consider and recommend to the Federal Government that the Crow rate be maintained.

**MR. CHAIRMAN:** Thank you for your presentation, Mr. Moore. Are there any questions from members of the committee? Mr. Downey.

**MR. J. DOWNEY:** Mr. Chairman, through you to Mr. Moore. As a citizen of Canada, how long have you been opposed to the Crow rate change?

**MR. B. MOORE:** How long?

**MR. J. DOWNEY:** Yes.

**MR. B. MOORE:** Oh, for quite some time. I guess since it started to be discussed going back three or four years ago.

**MR. J. DOWNEY:** I see. There are certain positions put forward by farm organizations, the Farm Bureau you heard it, the National Farmers Union and I see you are wearing a button. Which one of those groups would you align your position with if you were to pick a position to align yourself with?

**MR. B. MOORE:** My position is very simple - keep the Crow.

**MR. J. DOWNEY:** But I ask you, Mr. Moore, specifically, what farm group would you align your policy with?

**MR. B. MOORE:** With any farm group that says, keep the Crow. I did not hear the Farm Bureau saying that, so I obviously can't align myself with that.

**MR. J. DOWNEY:** Well then directly, would you align yourself with the National Farmers Union policy?

**MR. B. MOORE:** I align myself with the National Farmers Union policy of keep the Crow.

**MR. J. DOWNEY:** Mr. Chairman, we're into this, he said he had been concerned about it for some time now. Would you agree or disagree that one of the problems that Western Canadians have had dealing with this whole statutory rate issue is the lack of trust for the Liberal Government in Ottawa?

**MR. B. MOORE:** That they've had a lack of trust for the Liberal Government in Ottawa? Yes. They certainly have had a lack of trust for the Liberal Government in Ottawa.

**MR. J. DOWNEY:** You indicated earlier that you were a member of the New Democratic Party, or you were running in a by-election. Are you aware that it was the Liberals and the New Democratic Party that joined together in 1975 to beat the Conservatives?

**MR. B. MOORE:** Mr. Chairman, I can anwer that very simply by asking Mr. Downey, is he aware that in the past three years the Conservative Party in Ottawa have voted 83 times with the Liberal Government to keep them in office, three times more than the NDP did? — (Interjection) —

**MR. CHAIRMAN:** Order please, order please. Mr. Downey.

**MR. J. DOWNEY:** Mr. Chairman, the question that I was asking him, if he was specifically aware of the joining together of the Liberals and the New Democratic Party that put Joe Clark out of office. I'm not here to be . . .

**MR. CHAIRMAN:** Order. Order please. I have some difficulty tying this to the resolution we have in front of us. Mr. Downey, if you could perhaps rephrase your question to tie it to an enquiry into matters relating to the Western Transportation Initiative. Mr. Downey.

**MR. J. DOWNEY:** Mr. Chairman, who is proposing this legislation to the people of Western Canada?

**MR. B. MOORE:** Who is proposing this legislation?

**MR. J. DOWNEY:** Who is proposing this legislation?

**MR. B. MOORE:** The legislation has been put forward by the Liberal Government in Ottawa.

**MR. J. DOWNEY:** Mr. Chairman, precisely dealing with the statutory rate issue, if the Liberal Government were not in Ottawa, would they not be able to propose this type of legislation?

**MR. B. MOORE:** If the Liberal Government were not in Ottawa, if they had not been put into office at the time the Clark Government was thrown out, then we would probably be having these hearings today because it was the Conservative Government in Ottawa, who, on November 7, 1979, said that we will open up the Crow for discussion. It was Mr. Justice Emmett Hall who said prior to that time, that once you open it up for discussion and lay it on the table, all will be lost.

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

**MR. C. MANNESS:** Thank you. Mr. Moore, you've indicated a number of times you are against changing the Crow. Could you tell me what the Crow rate is in cents-per-bushel for Brandon producers?

**MR. B. MOORE:** No, I can't.

**MR. CHAIRMAN:** Mr. Moore, would you repeat your answer so it's on the record.

**MR. B. MOORE:** No, I cannot.

**MR. C. MANNESS:** Well, Mr. Moore, I find that a little strange. If you are so against it you don't know what it is, do you have any idea what it might be rising to over the next five years?

**MR. B. MOORE:** I know that millions of dollars under the present Pepin proposal will be drained from the farmers' income in this area.

**MR. C. MANNESS:** Thank you.

**MR. CHAIRMAN:** Further questions for Mr. Moore? Mr. Orchard.

**MR. D. ORCHARD:** Mr. Moore, in your brief you've got on Page 1 a figure that, "Over the years the Canadian Pacific Railways have received subsidies of $13.5 billion if they're adjusted to present-day values." What's the source of the research that allowed you to come to that conclusion?

**MR. B. MOORE:** The source of my research are the public records in Ottawa. If you like I can tell you it's a long list, but I do have the list year-by-year when every single penny that was paid to the railway company was paid.

**MR. D. ORCHARD:** Mr. Moore, do you by and large support the Canadian Wheat Board?

**MR. B. MOORE:** Yes.

**MR. D. ORCHARD:** And I take it that you believe they do a reasonable job of representing the farm community in terms of grain sales, etc.?

**MR. B. MOORE:** Under the circumstances, yes.

**MR. D. ORCHARD:** Well in the interest of brevity, I won't ask what the circumstances are, but you probably were here when the Farm Bureau made their brief?

**MR. B. MOORE:** Yes.

**MR. D. ORCHARD:** And the '78-79 Wheat Board Annual Reports indicated loss of grain deliveries to an export market that would have bought the grain that have given an estimate base of those Canadian Wheat Board figures of a $1 billion dollar loss over two years. Would you, by and large, agree with that Canadian Wheat Board analysis?

**MR. B. MOORE:** Well, I can agree with that analysis but the reason for that goes a little deeper. The reason is that the railways are now carrying what they see more lucrative products of coal, sulphur and potash on lines that were built to service the Canadian grain economy. Now, if they turn around and take up the capacity of the lines delivering non-grain products and what they were paid for to deliver grain, then obviously there's going to be a problem of non-delivering.

**MR. D. ORCHARD:** Then if you were a Federal MP with the New Democratic Party, I take it then you would resolve that by forcing the railroads to carry all the grain that was sold?

**MR. B. MOORE:** That is quite right and force them to do it in an efficient way and through the method of paying for their losses directly and for turning around and any additional capital likely that they wanted to be involved in, certainly the Government of Canada could assist them with that, but in return it would get an equity position equal to the amount of its assistance. Incidentally, Mr. Chairman, just one correction - not if you were am MP in Ottawa, when you're an MP in Ottawa.

**MR. D. ORCHARD:** I always like an optimist. Mr. Chairman, the figure, and I've just done a rough calculation so I'm open to question on it, but based as to number of permit holders, in doing a rough calculation of that $1 billion loss the Canadian Wheat board has identified in crop years, 1977-78, '78-79, that would boil down to a loss in the neighbourhood of $167 million for the Province of Manitoba. Do you think in your position here - you talked about the economic full cycle - would you hazard a guess as to whether that would have helped considerably the Province of Manitoba in those years, or should we have been able to achieve that additional revenue through grain sales?

**MR. B. MOORE:** Obviously, should we have been able to achieve additional revenue through additional grain sales, the economy of the Province of Manitoba would have been greatly enhanced. The same way that is, if we follow the New Democratic Party plan, Federal plan, to support grain transportation, benefits would flow directly to Manitoba.

**MR. D. ORCHARD:** I'd just like to question Mr. Moore on Page 3, second paragraph. Do you really believe the second paragraph that you put in your brief?

**MR. B. MOORE:** Mr. Chairman, if I didn't believe it, I wouldn't have put in the brief.

**MR. D. ORCHARD:** Well, that's fair enough comment. All of a sudden I'm seeing a pessimist, not an optimist.

**MR. CHAIRMAN:** No further questions from Mr. Orchard? Mr. Plohman, please.

**HON. J. PLOHMAN:** Mr. Moore, do you feel that there is sufficient protection in the Pepin proposal against the imposition of variable rates?

**MR. B. MOORE:** No, there's not.

**HON. J. PLOHMAN:** What effect do you think the imposition of variable rates into the system will have on rural communities in Manitoba?

**MR. B. MOORE:** The variable rate proposal of Pepin will drain income from the farmers, and thus spending power that they could have in their communities to buy goods and services and keep rural life going, rather than see it disintegrate even further.

**HON. J. PLOHMAN:** Thank you. The previous presentation changes of the guts of the issue. It seems that they associate change with increased costs to farmers necessarily, and not just them, other presentations. Anyone that's against changes to the Crow would seem then are against change, they say. Do you feel that change in extra cost to farmers for paying for the transportation of grain necessarily go hand in hand?

**MR. B. MOORE:** No. I think that the farmers are caught in the cost squeeze right now and they do not have any money for extra cost to go into the grain transportation system.

Grain transportation and grain exporting benefits all Canadians and therefore I say that all Canadians should assist in paying for the upgrading of the transportation system to allow even greater benefits to flow to the country.

**MR. CHAIRMAN:** Mr. Plohman. Mr. Uskiw. Mr. Bucklaschuk.

**HON. J. BUCKLASCHUK:** Yes, I'd like to get back to some reference you've made to the source of wealth of the CP Rail. You had indicated in your brief that if adjusted to present-day values, the subsidies would have been something like $13.5 billion. You also had a list of subsidies made by the public that the Member for Pembina had asked about. Could you just relate some of the subsidies that might have occurred in the '60s or '70s?

**MR. B. MOORE:** Yes. In the '60s and '70s, for example, I'll just pick some years if that would be okay. In '64, $31.9 million, which is a present-day value of $101.9 million; '67, $52.2 million, present-day value of $146.1 million; '77, $112.8 million; '78, $129.1 million. Those are some examples of the yearly benefits.

**HON. J. BUCKLASCHUK:** Do you have any recent figures on CP's profit statement?

**MR. B. MOORE:** No, I don't think I have, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Moore would you repeat your answer so you're on the record?

**MR. B. MOORE:** No, I don't have them with me here.

**MR. CHAIRMAN:** Thank you. Mr. Bucklaschuk.

**HON. J. BUCKLASCHUK:** CPR being a corporate giant, do you have any idea of what its deferred tax situation is like?

**SOME HONOURABLE MEMBERS:** Oh, oh.

**!MR. CHAIRMAN:** Order please. I have some difficulty seeing where this line of questioning is relating directly to the Western Transportation Initiative. Perhaps the member can either tell me how it relates directly, or rephrase his question so that it does.

**HON. J. BUCKLASCHUK:** Thank you, Mr. Chairman. I think it is quite relevant because in 1980 - that's the figures - '81, CPR did make a profit of $121 million, that is of public record. Deferred taxation, I believe they have something like $1.2 billion in deferred taxes. I find it rather difficult to understand, with a financial situation like that how CP can be going after one particular sector and putting pressure on the Federal Government to have increased freight rates. That was basically what I was getting at.

I'll therefore introduce another question then. We are talking about compensatory rates and that always is a foregone conclusion by both the other major federal parties. It seems to me that when there was reference to the Crow benefit in 1979 under the Clark Government, that compensatory rates were a fait accompli.

In the United States where they do have a situation, and I'll refer specifically to Dunseath, I believe the freight rates for shipping a bushel of grain to Minneapolis is 70 cents a bushel. If you were to ship that same bushel to Seattle, it's between $1.60 and $1.70 a bushel. Mr. Moore, you don't live very far from the U.S. border, are you aware that the American transportation system is that much more efficient than the Canadian transportation system?

**MR. B. MOORE:** Well, I think the American transportation system does not have the same diversity of its capital as perhaps CP Rail does. It has put much more of its capital into the operating stock than CP Rail has, where CP Rail's capital has gone into mining and land and through marathon realty through land development and that type of thing.

It is interesting to note, you know everybody says that if we do waiver the Crow, it will increase the red meat trade. The United States doesn't have a Crow rate. In Montana, I'd say the red meat trade in Montana is not even as viable as it is in Alberta.

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

**MR. H. HARAPIAK:** Mr. Moore, in listening to the presentation put forward by the Farm Bureau, they do not mention the Port of Churchill and I see in your brief that you have mentioned it. I guess maybe I should have posed this question to the previous group. Can you see the task force such as Gilson, which has studied the transportation of western grain to export ports - not even mentioning the Port of Churchill - why they would not even have mentioned the Port of Churchill in their report?

**MR. B. MOORE:** Well, I was very surprised that it hasn't been mentioned as an alternative because it can certainly be done. I think the figure is about one-fortieth of the cost to come through the Rogers Pass and double tracking would be the amount of money needed to upgrade the track to Churchill and the port facilities there. Probably less money than was spent the other night in the Budget to save Lalonde's shoes could put Churchill in a much more viable grain exporting position.

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

**MR. H. HARAPIAK:** Just carrying this a little further, if the Crow was to be lost, this related cost would probably be coming in. Would the Port of Churchill not be in a more favourable position than the other two ports, if it was distance-related costs?

**MR. B. MOORE:** It most certainly would. Churchill is obviously a lot closer than Vancouver or Prince Rupert.

**MR. CHAIRMAN:** Any further questions for Mr. Moore from members of the committee? Seeing none, Mr. Moore, on behalf of the committee, thank you very much for being here today and making your presentation.

**MR. B. MOORE:** Thank you.

**MR. CHAIRMAN:** Next person on our list is Mr. Doug Campbell of the Canadian National Railway.

Mr. Campbell.

**MR. D. CAMPBELL:** Thank you, Mr. Chairman. We feel almost right at home. I would like to introduce my colleague, Mr. Peter Gosman, who is our marketing manager for grain.

**MR. CHAIRMAN:** Mr. Campbell, could you repeat Mr. . . .

**MR. D. CAMPBELL:** Peter Gosman, G-O-S-M-A-N.

**MR. CHAIRMAN:** Thank you. Please proceed, Mr. Campbell.

**MR. D. CAMPBELL:** Thank you. As the committee is aware, we did present some comments at the April 8th hearing in Winnipeg, and we did entertain questioning which was mainly on the topics of capacity and the Port of Churchill, so I would propose to skim very lightly over those two topics. I also advised the committee that we felt compelled to hold back on several of our comments until legislation was tabled in the Federal House. It now appears that the likelihood of that happening before your hearings are finished is very, very small, so we felt it appropriate to attempt to put some of our key comments on the record with you today.

Given the fact that the Minister of Transport has stated earlier today, and this being the Provincial Minister of Transport, that the railways must be paid, and given that you have some 15 or 16 other groups, I will attempt to go as quickly as I can.

We have a 28-page brief which, I believe, you all have copies of and I do not, in any way, intend to cover it all. I would like to simply say that the main areas covered in the brief are the dilemma of western rail transportation, that being the need for massive investment to increase capacity in the face of growing traffic demand while being unable to finance that investment. We wish to explain what the Western Transportation Initiative means to CN Rail and, from our opinion, to Western Canada, and to describe how the new arrangements for grain transportation would work, and mention some of the elements that are of concern to CN. Finally, the brief addresses some of the specific concerns expressed in your resolution passed by the Manitoba Legislature.

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

We see Crow change as a key to Western Canada's economic growth in the 1980s and beyond. Certainly, "the Crow" was one of several key policies put in place around the turn of the century to encourage rapid settlement and development of Western Canada. You are, of course, all aware of the national policy, The Homestead Act, the Dominion Research Stations and many other policies which were also very instrumental in this area. But today, the Crow, as it currently exists, does inhibit the continued growth and development of the west.

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

We have mentioned earlier that we have planned to spend between $10 billion and $11 billion over the next decade; fully 70 percent of that spending will be on Western Canada's main line rail system.

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

Despite the economic disincentives, we are proud of the recent performance in moving grain. 1981/82 was a record year. The volume was 70 percent higher than a decade earlier. We expect a new record, as much as 10 percent higher, to be set this year.

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

**MR. CHAIRMAN:** Order please, order please. Those individuals who wish to carry on private conservations would interrupt the meeting less if they carried them on outside in the hall.

Please proceed, Mr. Campbell.

**MR. D. CAMPBELL:** Thank you. In terms of our capacity concerns, the need for double tracking is particularly urgent between Edmonton and Vancouver. Major improvements are also necessary on the single track in the B.C. North line between the mountains and Prince Rupert. Within five years, double track work will begin again in Manitoba along the main line west of Portage la Prairie through to Saskatoon.

Throughout the 1970s, CN Rail has dealt with western growth by a program of improvements. Again I think, with your permission, I'll skip that area because we talked about it before, other than to mention that $255 million was spent between 1975 and 1979 to make those improvements.

We have, in addition, commenced double track and, since 1980, CN has spent 200 million to double track key line segments across Western Canada. That money had to be borrowed and the interest charges in 1983 will amount to $34 million.

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

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

Huge and growing losses on grain approaching $300 million in 1982 represent a most important problem facing the railway industry in Canada. CN's overall loss in 1982 was $35 million. That's from all operations. That's a major reversal from the previous four years, in which profits were earned. Traffic declined in all commodity groups except grain, but higher grain volumes also meant higher losses. In other years, the healthy traffic levels and commercial rates in other commodities offset those losses.

CN Rail is no longer able to continue subsidizing grain traffic. In fact, without financial relief, CN's ability to continue as an effective transportation company is endangered. So we see the new arrangements, as proposed by the Minister of Transport for Canada, as providing a timely and much-needed assist, with the promise of interim payments. I would note for the committee as information that we received a cheque for some $60 million two days ago. So that promise is partly fulfilled and we have already designated that money and have work projects in excess of that committed for 1983. We've gone ahead with additional investment of some $140 million this year. Our target is to complete 125 miles of double track by this fall.

I won't elaborate on the Crow rate comparisons. We all know that the meaning of $1 has changed a lot in recent decades. You see Table 1. at the bottom of Page 9, showing that while rail rates have not increased over the last 15 years, primary elevator rates increased by some 300 percent, terminal elevators by over 200 percent, lake freight by almost 200 percent, seaboard handling by over 700 percent, and ocean transportation by 126 percent.

The Western Transport Initiative is a result of long and extensive consultation; a process in which diverse interests were represented. To reach a balanced, comprehensive solution to such a complex and far-reaching problem, there had to be give-and-take from all parties. From CN Rail's point of view, the Western Transportation Initiative will help in several ways:

Obviously providing better compensation to the railways for the work they do;

It will enable the railways to continue to serve grain shippers effectively, and to make important capacity increases;

It will provide a major stimulus to Canadian economic recovery, particularly in the west;

It will replace a patchwork of partial financial assistance measures with a conprehensive long-term solution to the problem, which will enable all grain system participants to plan with confidence in the future.

The federal initiative clears the way for CN to advance major work in 1983. Over the planning period from 1983 to 1987, the grain resolution will mean a 73 percent increase in capital expenditure, raising the amount CN Rail can invest in plant expansion from $2.1 billion to a new total of $3.7 billion. That's estimated to create about 9,700 person-years of work.

The next section is on "How the System Works." We realize that you have discussed this extensively with many parties. We have, we feel, a little more detail here than in the summary paper that you have tabled. I think it important only to hit some of the very key highlights.

In terms of the government financial commitments, there is the Crow benefit; the protection from large increases in transportation costs, the 3 to 6 percent; the Branch Line Rehabilitation Program to continue, another $670 million, for a total of $1.1 billion to that program; the 3,840 extra hopper cars - that will bring the total federal commitment to 15,000 cars, which is worth about $900 million at current prices - the $204 million agricultural adjustment payment; the complementary assistance package as totalling $250 million.

If I might dwell for a moment - you've heard many comments about the $175 million Agricultural Development Program which goes both east and west for farm improvements, soil and water research, marketing assistance and what not - but if I might for a second dwell on the $75 million Industrial Development Program. That is intended to enable western industries to take advantage of the opportunities presented by railway investments and by the new grain transportation regime. We will be holding in conjunction with the Federal Department of Regional and Economic Expansion, a regional industrial expansion drive, a seminar in Winnipeg, in June. There will be invitations to all electronics firms, communication firms, metal fabricators, and so forth, to attend. I would, by way of this comment, urge you to recommend to any firms that you think might qualify in this area to attend those seminars. We will have a large number of procurement specialists with quality and quantity projections able to talk with any of the small industries, the specialized firms, the high technology industries on the kind of needs that CN and the resource industries will require over the decade.

In terms of the legislative commitments, I think the key thing from the railway point of view is that the government does indeed plan for control over railway rates, which we know is a concern to many people here. It also provides for a system of improvements. These include performance and investment guarantees, and a strengthened transportation coordinating agency. Also, with the extensive review scheduled for 1985-86, there will be an evaluation of how the plan is working and an attempt to make appropriate improvements.

On the question of method of payments from a railway perspective, you will note that the railways receive all of their compensation for grain on the basis of the actual volume shipped. The new rate scale will show two payments to the railways for each tonne shipped: the portion paid by the Federal Government, and the portion paid by the shipper or producer.

If I may jump to page 16, Table 3, a comparison is given there of what the producer would pay between 1981-82 and 1985-86. I think it's important that there be an improved understanding of the difference between the gross payment and the net payment. If we look at the bottom line, 1985-86, while the gross payment under Constant Volumes scenario would be $19 per tonne, the net would be at $8.00. If volumes do increase, as projected by the Canadian Wheat Board and the Federal Government, the gross payment would be $19.5 with the net payment $9.35.

With respect to annual rate adjustments, each year's grain rate will be set by the Canadian Transport Commission by April 30. It will reflect forecast tonnages and costs for transporting grain in the forthcoming year. Every four years a major costing review will be undertaken by the CTC, to set a new cost base that reflects productivity improvements or changes. The next major cost review will occur in calendar year 1984.

Looking beyond '85-86, under a Constant Volume scenario of 31 million tonnes, the producers net cost would be $24 per tonne, or 50 percent of the full cost. If the volumes increase to say 41 million tonnes, the farmer would be paying $27 per tonne, or some 60 percent of the cost. If, however, we do hit 40 million tonnes or better, that's a 30 percent increase in the amount of grain handled by the railways in a record year, '81-82.

We mentioned previously the current level of shipments as being sustained as a result of the low level of traffic in other commodities, that is freed line capacity and made available even railway-owned covered hopper cars, normally used for other commodities. In fact, some 15 percent of CN's grain movements in 1982 were in CN Rail-owned cars, that's about 2 million tonnes, and we take a little bit of pride in hoping that farmers will recognize that that cap is at least at 31.1 million instead of the 27, 28 or 29 million tonnes that otherwise would have been the case.

There have been changes to the existing Crow rate scale. Mr. Gosman can get into a great amount of detail with you, if you so desire, in the question period. I think the key points to make are simply this, that there were many anomalies. The old structure was not exactly distance related, so there has been a committee which has included the farmer-owned grain companies and the farm organizations. Over 90 percent of the changes are less than 1 cent per cwt and in about 99 percent of the cases, the change is less than 2 cents per cwt.

The following table on Page 19 illustrates how the New Base Rate Scale will affect the six points in Manitoba and we've selected the six points at which you were holding hearings. You can see the largest change is at Morden, rising from the equivalent of 15 cents per cwt to 16.18. Most of them are much smaller than that and the range in the new scale is between 325 per tonne and 421 per tonne, 325 at Winnipeg versus 421 at Swan River.

In terms of railway concerns, one key area of course is compensation. The solution proposed by Dr. Gilson, as modified by the Federal Government, is obviously a welcome step forward. It curtails the drain on our resources. However, it does not go all the way to full compensation as received from other traffic.

During the Gilson consultations, we presented a case for 35 percent contribution, which is just about what our average contribution is derived from other commercial traffic. That contribution was eventually set at 20 percent of the volume-related variable cost.

Another problem area for us was the phasing-in program and because we are not getting paid in total until 1985-86, that has cost the railway some $344 million.

Another concern is delayed payments. I believe all the members are aware of the concern that producers have about not being paid their final payment sometimes on time. It appears under the current regime that we will not be paid for our fuel, wages and materials until as much as 90 days after the end of the crop year. So that means that we'll be financing a very sizeable portion of the operation.

A comment on New Commodities under the statutory rate. This has been discussed previously. The railways will forego between $3 million to $5 million per year when canola meal and oil are added to the list of products covered by the statutory rate.

Performance Guarantees. These guarantees and the proposed sanctions that are to be in the legislation, are very unique to grain transportation. We certainly hope they will help to structure the whole system for improved efficiency and we believe that to do this, they should be extended to other parts of the system and not apply to the railways alone.

Performance guarantees should help to ensure farmers that there will be measurable improvements in return for their higher rates. However, if they are limited to the railways they will be less effective, and could conceivably leave the railways "holding the bag" for problems they can't control. I must say we do recognize that under the current structure, the grain producer is left holding the bag as well.

In 1974-75, for example, a vintage year for labour-management problems where we had over half of the working days in that crop year obstructed with some form of labour strain. Seventeen bargaining units between the farm and the boat and railways with performance guarantees would obviously have an incentive, and it is hopeful the other players would, to maintain very stable and productive labour relations if we thought that there was $30 million or $50 million that might be held back if we didn't hit our tonnage targets.

The last section on the Manitoba Resolution, we simply repeat it, so I'll jump up to Page 24. The first concern is the point on the principle of the statutory rate. We would define those principles as controlling the rates and providing subsidies and the federal initiative clearly maintains rate controls. There are absolutely no changes allowed without federal review and approval. Grain shipments will continue to be the only commdity carried on Canadian railways under such freight rate regulation.

The promise of the Crow benefit is of course a major federal commitment. The rationale for that subsidy and the infrastructure subsidies for hopper cars and branch lines, is to offset the competitive disadvantage of Canadian producers, vis-a-vis their major competitors in terms of distance to market.

Your second concern is on cost protection. We feel this is addressed in three ways by the Western Transportation Initiative. The first is the Crow benefit of course and that's, in effect, a federal commitment to absorb the effects of inflation which have incurred for some 85 years. Until now, the railways have absorbed most of this.

Secondly, the producer's responsibility for future annual costs is capped at a maximum of 3 percent for the first three years and six percent beyond. So that's a shield against inflation which is enjoyed by no other industry in Canada to our knowledge.

Thirdly, the federal commitment to hopper car purchases and branch line rehabilitation does remove two very major cost components from what the producers would have to pay. Everybody can come up with their own number but I might suggest the cost of hopper cars is about equivalent to one Crow, so instead of the full costs today being 5.3 Crow, it might more appropriately be set at 6.3 or 6.5 or 6.2.

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

I think it's fair to say as long as that impacted on only those two organizations, we would be fully supportive of that principle and I guess to that extent we would concur with Mr. Parker's urging of this committee to propose such amendments to the Federal House.

We would have some obvious concerns if someone came up with a mechanism that made the railway rates directly proportional to the price of grain or suggested that the railways should bear the shortfall in bad years without any opportunity for some of the windfall in better years.

The third point you raise was with respect to the competitive international market and we all recognize that grain can only be sold in the competitive world markets if Canadian producers have a reliable, efficient and effective rail system.

This system is needed to keep Canadian grain competitive despite our extra distance to tide-water and I must say that Canadian coal producers and potash producers are much farther from market than their main competitors and without wanting to overly blow our horn, I think both the coal shippers and the potash shippers are on record, that one of the key reasons why they can maintain a very competitive position in world markets is by the kind of systems and performance that the Canadian railways do provide.

The fourth point is on distortion in rates among the crops. There have been several discrepancies removed including the higher rate on canola and flax seed. Westbound rates, export rates, are to be extended to several commodities including corn, which previously only had such rates for eastward movements to Thunder Bay and also linseed meal and oil and canola meal and oil will be added to the list.

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

It should be noted that since grain is by far the largest volume commodity in both provinces, most of the provincial fuel tax levy will be applicable to the railway costs for grain movement. This means they will show up in one form or another in the new grain freight rates.

Your sixth point, performance guarantees - we believe that sufficient railway performance guarantees do exist in the proposed legislation. This is a specific mandate of the new Grain Transportation Agency and the new senior Grain Transportation Committee which will include grain producers as well as the Canadian Wheat Board and the trade. Up to 40 percent of the contribution to direct costs may be withheld if tonnage targets are not met and the railway is at fault.

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

The last point, the Western Canadian consensus - and perhaps we should be timid and not offer any comments here - but I think it is important to record from our perspective that virtually all of the non-agricultural business sector has expressed support for the Western Transport Initiative and in the agricultural community, there was widespread support for the recommendations of Dr. Gilson. Many of those groups which supported his report appear ready to support the WTI if some key amendments are made to bring it closer to Dr. Gilson's recommendations.

Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Thank you very much, Mr. Campbell. Are there any questions from members of the committee for Mr. Campbell?

Mr. Bucklaschuk.

**HON. J. BUCKLASCHUK:** Yes, it's a very comprehensive brief and I must admit, it's very difficult to absorb all the amount of material in this short period of time. I want to just ask questions about one specific section, on Page 13, "Complementary assistance totalling $250 million will be put into two programs. This includes a $175 million agricultural development program covering farm improvement . . . " and so on.

Now, the presenter of the brief is addressing a committee of the Manitoba Legislature and of course we're interested in Western Canada. I would be interested in knowing where this $175 million is to be spent?

**MR. D. CAMPBELL:** I am not privy to an exact breakdown by province or by specific category. I know that in the soil and water research area, $20 million has been designated. I believe it's to be designated for the Province of Saskatchewan. I'm sure that there is a large list. The senior federal official of the Department of Agriculture Canada, I'm sure, could provide the detailed information. As I mentioned earlier, there is a significant amount of money in that fund that is going as well to Eastern Canada. I have not seen a provincial break down.

**HON. J. BUCKLASCHUK:** Continuing on that, this is exactly the difficulty I have when we are being confronted with all these benefits that will apparently accrue to - I say "apparently" - to Western Canada, and I want to illustrate exactly the difficulty I have, because here I have the Canadian Poultryman, March, 1983 issue, totally in English except for two pages. "Adieu corbeau" that means the Crow doesn't flap or whatever - entirely in French - and I must admit my French is not that good, but I want to list a number of things.

Here are some of the benefits that are going to accrue to Quebec: First of all, in the next five years, allocation of $80 million dollars in aid directed to the Quebec producers; (2) the Government of Canada will dedicate some $13 million for the adoption of an information system through satellite, and so on; (3) The Government of Canada will identify other areas that will help the agriculture industry." Then they list them. "St. Arsène, $10 million; St. Arsène, $30 million; St. Jean, $16 million; Lavaltrie, .4 million." I added those up - $149.4 million. This ad is done by Agriculture Canada. I presume that $175 million, which we are being led to believe will be of benefit to Western Canada, 149.4 of that 175 is being spent in Quebec to help with Mr. Pepin's political problems. Any comments on that?

**MR. D. CAMPBELL:** As I said earlier, I am not in a position to either agree or disagree with your mathematics. The important thing - and it is confusing and I think it is the fault of the Federal Government that there is some confusion in this area - I think you are aware that the Federal Ministry of Agriculture very recently took over responsibility for various programs that were formerly administered under the Department of Regional Expansion. There is a combination of funds that would have been administered through DREE that have been, I believe, blended into this particular fund.

I know there are research monies going to St. Hyacinthe in Quebec. There are also, I believe, research dollars going all across the country, and I don't know the proportion. If the total for Quebec is 149, I think that's a blend of the various funds that have been administered through DREE in the past, so I do not think that it's correct to suggest that Quebec is getting $149 million worth out of a total of $175 million worth; but as I mentioned earlier, I have not seen a specific breakdown.

I would suggest, if I might, that I am aware that some Provincial Governments are lobbying strongly for a large share of that money, and I would assume that your Minister is doing likewise.

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

**HON. J. PLOHMAN:** Mr. Chairman, the Pepin proposal states in Point No. 5 that freight rates will remain generally distance related. As a representative of CN, how do you interpret that?

**MR. D. CAMPBELL:** Again, if you want some specific examples, I would defer to Mr. Gosman. As you are aware, the original rate zone map was set up some 90 years ago. It was generally done in zones. In some places, it was 50-mile break points; in others, it was 20; in others, 25.

In addition, there were some cases where, after Canadian Pacific had a rate - let's suggest 20 cents a hundred at Regina - Canadian National had a longer distance to Regina, but voluntarily dropped its rate one or two or three cents to be competitive. You have other examples of branch line sections being abandoned and the old rate having remained the same when perhaps now the new connection to that same shipping point is either longer or shorter.

So the general intent was to try and provide a direct relationship between distance and the rate. Now, that is not a straight line on a graph. It has three specific slopes, and I would ask Peter to perhaps elaborate a little bit for you if you want the detail.

**MR. CHAIRMAN:** Mr. Gosman.

**MR. P. GOSMAN:** Thank you. The rate scale that we - I guess we as we in consultation with the Rates Task Force members, which included the Pools and other members - took the . . .

**MR. CHAIRMAN:** Mr. Gosman, could you just raise the mike a little and speak more directly into it. I think some of the people in the back are having trouble hearing.

**MR. P. GOSMAN:** Sure. The work we did on the scale was to attempt to remove distortions, as Doug discussed. Probably the most basic distortion is that CN and CP had a different scale. They were not the same. There is one point just as an example, Wadena, Saskatchewan, where the rates are different, although to the same ports. We took then and blended and created a single scale. It is probably a more pure distance-related scale. It is created on 25-mile blocks. The revenues that we will accrue or would have accrued in 1980 are indeed about $1 million less than we actually acrrued, so there was no attempt in this scale to get something out of it. It was an attempt to remove distortions. The request was by the Pools and the grain producers. They felt they needed a scale which was more distance related. That is indeed the case.

The only, I guess, so-called anomalies that we have left in it are the reductions that have been made in history for competitive reasons. What was in the tariff in 1981 will remain, and the reason for that is that it was felt that whatever historical relationships exist amongst the grain companies, that they should be maintained at least initially so that we do not, by creating a pure distance-related scale from a point like Regina, create competitive disadvantages by reason of location only. They have been maintained.

We have removed the cent-and-a-half differential that applied to rapeseed and flaxseed. We have also removed the differential that applied to NAR origins. In history, NAR was a separate railroad. There was a set of rates which were higher off NAR points than they would off equivalent distance CN points. That has been removed.

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

**HON. J. PLOHMAN:** Just to follow up, to say within an area where there are some branch lines that still exist, do you see variable rates or, say, higher rates being charged on a branch line by CN, or that CN would be able to do that, utilizing those higher rates to encourage farmers to haul to the main line facilities, for example? Is that possible under this proposal?

**MR. P. GOSMAN:** I think that's probably one of the greatest misconceptions that exist. The statute, by law, says you are not allowed to charge a rate higher than the rate which is applicable to the distance. Both the distances and the rates are monitored by CTC. That's a very specific point within the regulations.

What is more relevant, I think, than what has been asked, will we be allowed to reduce rates on main line points to encourage grain off branch line points. Again, there is no rate reduction or no change in rates that can be implemented without the specific, I guess, without the CTC saying you can do it. There is, I guess, a long mechanism to do that. You have to publish your intentions seven months in advance of a rate change. All parties who have an interest or feel they would be harmed have a right to make representation to the CTC either from the point of view of being included in that rate, or having the rate disallowed. It is up then to the CTC to say that, yes, these other additional points can be included, or you have to drop the rate proposal. It is then, I guess, the railroads who can decide to include those who have been deemed to be included by the CTC or withdraw that rate application. So I don't think, in a system like that, there is going to be much opportunity for the railroads or for anybody to slip variable rates in under the new scale.

I would also like to point out that the money we get from the Federal Government is in direct proportion to the amount of money paid to us by the shipper. Every penny we reduce off the base rate scale also results in three or four or five cents off these government payments. We have fought a long time for where we stand today. It's not something we'd do lightly.

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

**HON. J. PLOHMAN:** Just to follow up then. From what you said, you could offer lower rates if the CTC agreed?

**MR. P. GOSMAN:** These rate proposals for reductions would come to us from producers - and I'm assuming these would be pools, or points, or origins we feel they are harmed by the new scale, and we are looking at a whole new environment. If that proposal is put forward to us, by us to the CTC and it went through the review process and was accepted by the CTC - yes, we could reduce rates.

**HON. J. PLOHMAN:** Mr. Chairman, I just want to ask, would you acknowledge that the CTC has the record of delivering decisions in favour of CN, from applications that you have made over the last number of years?

**MR. P. GOSMAN:** I suggest if you checked CN's track record in legal cases involving the CTC, we'd probably have the Charlie Brown record. I don't know of one case we've won.

**HON. J. PLOHMAN:** Mr. Chairman, particularly with regard to rail abandonments, I would have to disagree. Would you say that applies with the applications you've made for branch line abandonments?

**MR. P. GOSMAN:** In some cases we've been successful in branch line abandonments. I would suggest that the couple of hundred million dollars a year paid by the Federal Government to both railroads, would also attest the fact that there are large segments of branch lines which we have been unsuccessful in.

**MR. D. CAMPBELL:** Mr. Chairman, I think it's important to add that being successful in branch line abandonments can be a little bit misleading. I think it's important to point out that when the railway is losing money on a particular line, whether it wants to keep that line or not, it has to apply for abandonment in order to collect the subsidy. So we are forced obviously into applying, in order for the subsidy mechanism to kick in. So the fact that we have made application, in our opinion, is an application to receive a subsidy, not an application to abandon the territory.

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

**HON. J. PLOHMAN:** So, Mr. Chairman, you would say then you are forced into applying for abandonment and then in more cases than not, you are granted that abandonment?

**MR. D. CAMPBELL:** No, just the opposite. In most cases, the review which the Canadian Transport Commission has undertaken, finds that the continuation of the line is in the public interest, if they do find that continuation of the line is in the public interest, if they accept the railway's submission on costs - and they have full access to our books - then we can receive a branch line subsidy.

**HON. J. PLOHMAN:** I would just ask one further question to that. Is that trend continued equally throughout the years, or would you say in the last few years the request that you've been more successful than not with regard to abandonments? And we use the word successful with your definition and explanation that you gave.

**MR. D. CAMPBELL:** Well, first of all, the opportunity to obtain a branch line subsidy did not occur until the passage of The National Transportation Act in 1967. Payments did not begin until 1970. You are aware that there have been various federal moves, one including a guaranteed network, guaranteed to the year 2000. It has only been on the proportion of lines that were not guaranteed, not protected, that the branch line abandonment possibility exists, so we obviously have made application on those lines where we are losing money.

**HON. J. PLOHMAN:** Mr. Chairman, that didn't answer the question. I just asked whether the trend, in terms of success in applications for abandonment by CN, has been approximately the same throughout that period, or whether you've been meeting with more success in the last couple of years with regard to abandonments.

**MR. D. CAMPBELL:** Okay. I think perhaps I should have stated that of the mileage that was not protected by the Order-in-Council of 1974-75, there was some 6,000 miles that were left in limbo. The Hall Commission was asked specifically to address the future of those lines. They roughly suggested that one-third should be added into the guaranteed network. That recommendation was accepted. They suggested that one-third a case to maintain those lines could not be made and that they should go to the CTC for due process (we all would assume abandonment); and in one-third of the other remaining one-third, they said for whatever reasons of uncertainty, they could not make a decision on whether that line should be maintained or not, and they suggested that a further review process - I believe it was called the Prairie Grain Authority - PRA - be set up to further evaluate that middle category.

So the abandonments that are getting press, if you will, are the ones that were in the bottom third category where the Canadian Transport Commission has held their hearings on the lines that Mr. Hall and others could not make a case for retention. So as one would expect, that on that bottom third of that unprotected network, most of those cases have been dealt with and most of those, the CTC has recommended abandonment within five years.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Thank you, Mr. Chairman. I was just distracted there by my honourable friend here.

Mr. Campbell, on Page 13 you mention, "Branch line rehabilitation will continue," a $670 million total. What's the projections for Manitoba rehabilitation over the next several years?

**MR. D. CAMPBELL:** I'm sorry Mr. Orchard, I cannot give you an exact number.

**MR. D. ORCHARD:** Any approximate number?

**MR. CHAIRMAN:** Mr. Gosman.

**MR. P. GOSMAN:** We can provide that for you, but we don't have them with us.

**MR. D. ORCHARD:** Okay, fine. On Page 16, Mr. Campbell, you developed some figures on What The Producer Might Pay - Table 3. Now, your figures have been developed on the prairie average of 489 per metric tonne. Now the basic question I have is, can I do the simple cross-calculation that with the Manitoba average being 365, can I use multiples in there and determine the 1985-86 by simple multiple? Would that be accurate?

**MR. D. CAMPBELL:** Generally.

**MR. D. ORCHARD:** Mr. Chairman, you wouldn't have something like a 5 percent error? You'd be pretty well on?

**MR. CHAIRMAN:** Mr. Gosman.

**MR. P. GOSMAN:** These numbers are a demonstration out of the Federal Initiatives handout. The principle behind this is the increasing of a Base Rate. To the extent the rate is lower, you would increase the rate by the same percentages that are generated through a cost-change per year to the factoring-in of the volume. So, yes, I think your answer is right, that you could draw the same sort of relationships to these numbers in a lower rate.

**MR. D. ORCHARD:** Now, you made the point on Page 27 of taxes on farm fuels. Now, what is your understanding of how you will be calculating your costs for a proposed new freight rate structure? Will you be calculating those costs on a province-by-province basis, and establishing freight rates on a province-by-province basis?

**MR. P. GOSMAN:** No.

Are you referring to the building in of the fuel tax into freight rates? Is that what you're . . .

**MR. D. ORCHARD:** That's where I'm heading.

**MR. P. GOSMAN:** The costs are developed on a system average unit cost basis for developing the cost per unit, per gross tonne mile, or what have you. These are then applied to specific work units within a geographic area; the size of a train between Winnipeg and Thunder Bay as an example. So these numbers will find their way into the freight rate to the extent they find their way into our system averages.

**MR. D. ORCHARD:** So then conceivably you've made the point in here that in Manitoba, and Saskatchewan, the two provinces subscribing to this resolution, the provincial tax on diesel fuel consumed by CN's locomotives is higher than anywhere else in Canada. Conceivably we could have grain shippers in Alberta subsidizing our additional diesel fuel tax in Manitoba?

**MR. P. GOSMAN:** Yes.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** No that's fine, Mr. Chairman.

**MR. P. GOSMAN:** If it will make you feel any better, so will the shippers in Quebec.

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

**HON. S. USKIW:** Mr. Campbell, on page 21, you talk about new commodities that are going to brought under your statutory rates, and that you will be foregoing $3 million to $5 million per year. Is that not a contradiction since you are going to be on compensatory rates with the new system? How could you then be losing $3 million to $5 million a year by including other commodities? Or are you saying that the new system rates will still be below what is now normally compensatory rates in the market system?

**MR. CHAIRMAN:** Mr. Campbell.

**MR. D CAMPBELL:** If I might, I'll defer to Mr. Gosman.

**MR. CHAIRMAN:** Mr. Gosman.

**MR. P. GOSMAN:** The $3 million to $5 million number there is the estimate between the current rate for moving oil and meal at what is today MCR rates, and the Crow rate that will be in effect.

**HON. S. USKIW:** Would you explain how that arises? Perhaps maybe I should throw what I think it is? You might want to correct me on it. Are you saying that you're now hauling on what we call full compensatory rates? This will then be, after the changes, minimum compensatory rates? Is that what you're saying?

**MR. P. GOSMAN:** Okay. The number right now, the best way to describe it, the rate, we'll say, for example, from Saskatoon to Armstrong, might be $12 on an MCR, with the Crow rate today is $4.00. The calculations, those numbers, there's a difference between the two.

**HON. S. USKIW:** No, but you're going to be hauling, after the Crow change, at full compensatory rates, so how could be giving any up?

**MR. P. GOSMAN:** That $3 million to $5 million number is a number that was calculated for the interim payment. This year we've been paid for moving MCR traffic. I guess we're now two-thirds of the way through this crop year. We will have to refund the equivalent of about $3 million to $5 million this year for that portion of money we got at MCR. We have had to reduce those rates back to Crow.

**HON. S. USKIW:** Well, I can understand the difference between full rates and Crow rates adding up to a certain number, but once the Crow is abolished and the railways have full compensation, then how can we keep talking about foregoing revenue.

**MR. P. GOSMAN:** That $3 million to $5 million represents a 1982-83 crop year number. If you were to draw a comparison between MCR and a Crow rate at a level of compensation, that number would be less. In ensuing years it would be less but a number, because the MCR rate today is higher than the Crow rate will be, at least, in the phase-in period.

**HON. S. USKIW:** At what point then are you at a break-even or better position with the new regime?

**MR. P. GOSMAN:** Well, I guess our case, we have made a case that, or perhaps the process has made a case, that we will be at a break-even point in terms of our variable costs as the process kicks in. We would then start to receive a contribution which would make us better than variable costs. I guess your definition of break-even, our definition and one we try to put forward is that there is a considerable amount of money withheld by our definition, not I guess a definition shared by everybody.

**HON. S. USKIW:** You would then agree with me that this particular statement overstates the case by far once you have the new regime?

**MR. P. GOSMAN:** It overstates it in ensuing years. It doesn't overstate it, in our opinion, in this current crop year.

**HON. S. USKIW:** No, that's fine. You see it talks about per year, and it implies in perpetuity, and I simply thought I should bring that to your attention.

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

**MR. H. HARAPIAK:** Mr. Chairman, I'd like to just address a few questions.

As a railroader, I recognize the benefits that will be coming to my brothers on the railroad who are employed by it, the increased employment that's going on. If my brothers around the table have their way, I will be back on the railroad in four years, so I want to make sure that there's a job left to go back to in The Pas.

In the new scale, it seems very complicated. Could you tell me if those new rates apply to the Port of Churchill, or are you disregarding the Port of Churchill altogether?

**MR. P. GOSMAN:** Well, I guess I can answer that.

What you have in front of you is the rate to Thunder Bay. Now, this rate scale applies equally to Churchill. The only rate we put in was the rate to Thunder Bay. That is a rate, I guess, for Manitoba which is most relevant to grain shippers but the rate does apply equally to Churchill based on a distance related scale.

**MR. H. HARAPIAK:** I guess I should stop being parochial for a moment and go to a global question.

On page 20, you talked about compensation. It says that - and I'll quote from your report - "The solution proposed by Dr. Gilson, as modified by the Federal Government, is a welcome step forward which curtails the drain on our resources from moving grain. However, it does not go all the way to full compensation as received from other traffic."

Taking that into consideration, when our economy turns around - and I'm an optimist, I believe it will - what priority will grain receive compared to coal, sulfur, and the other commodities, which at this time, when there's a rationing, the grain has a very low priority? Where will the grain fit in seeing as you won't be getting full compensation for movement of grain?

**MR. CHAIRMAN:** Mr. Campbell.

**MR. D. CAMPBELL:** Mr. Chairman, that's not an easy question as I'm sure the committee is aware. Because grain is, and we mentioned 24 percent of our work in 1982, we don't want to have that as a misleading figure. Our average over the last three or four years has been closer to 17 percent or 18 percent. It's because of the recession that that number is up a little higher.

We, of course, do not control the marketplace with respect to grain. Our job is to attempt to move it to the best of our ability. I guess the only place that we would see it being extremely relevant as to who had priority would be in a situation of congestion which is what we were very near, on our main lines to the west in particular, a situation which would return very quickly if traffic does improve and we cannot make the capacity expansions. So that would be the only place that anyone would dare entertain the possibility of giving higher priority to higher revenue traffic.

I guess part of the problem that the compensation package causes for CN is because of the various cost elements - and many of them are very complex - we do not see enough remuneration to be going out and, for example, purchasing hopper cars for the movement of grain. Our funds are very very limited. If we can make a higher return on a different investment that's where we would put our scarce resources.

Under the current situation, of course, others are providing the cars. We do not know and will not know until post '85-86 how cars will be paid for. So it's because of the less than adequate allowances for various cost components that we must say we would love to be able to come out and say that the level of remuneration is so attractive that we will supply all of the equipment, that we would supply 7-day service, but in the real world we have limited resources, limited capabilities and it just would be very very difficult to do the kind of things that some people would like to see for the grains' industry, given the current level of compensation. Now perhaps the cars or other aspects would be provided by Federal or Provincial or other sources.

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

**MR. H. HARAPIAK:** In other words, Mr. Campbell, there is no guarantee that the grain will be moved any better than it is at this point?

**MR. D. CAMPBELL:** Guarantee is a relative word. As we've mentioned before, and with as much as $30-odd million being withheld in 1980, if we don't hit the tonnage targets, we view that as a very strong incentive to hit those targets.

It would also be our responsibility to inform the Grain Transport Authority, and through that all members of the trade, if we felt there were reasons beyond our financial or physical capabilities to get their required volumes through and hopefully those problems, concerns, would be addressed by the GTA, the Federal Government of the senior committee.

**MR. H. HARAPIAK:** With the makeup of the Grain Transportation Committee, do you think that they would listen more closely to producers or to yourself as a transportation company moving grain?

**MR. D. CAMPBELL:** Mr. Chairman, the committee includes some 16 or 17 organizations. For the first time this committee would include three bonafide producers. It also includes representation from each of the six major grain companies. There is a representation as well from the minor grain companies. There is a representation from the grain dealers. There is a representation from lake shippers. So the railways would have, in effect, two seats at a table of 16-odd people.

At this point in time that is not a board of directors with voting structure, so there is no winner or loser in the sense of discussion. I think the purpose of the senior committee is to identify problem areas, to make those concerns very immediately known to the GTA and the Federal Government, and to strive along with the railways to identify and implement any efficiencies or improvements that would cut the cost for the system.

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

**HON. B. URUSKI:** Mr. Chairman, in answering questions regarding branch line abandonment, did I hear you correctly that in order to collect subsidies from the Federal Government, the CN was put in the position of having to apply for abandonment? Is that the main reason that CN has applied for abandonments on branch lines?

**MR. D. CAMPBELL:** It would be very difficult, Mr. Minister, to say it was the main reason. I think we would have to look at a line-by-line analysis. There are some areas where we're handling none, or virtually no traffic, so our intent very clearly would be to abandon the line because we see it as being totally unprofitable. If we could abandon that line then we could withdraw whatever salvage and eliminate any maintenance costs, any taxation costs, whatever.

However, another branch line abandonment application could apply to a very heavy density line in a heavily grain growing region and under a normal commercial environment, we would be very reticent to have any intent to abandon such a line.

In those cases, the mechanism was, we had to go under Section 252-258 of The Railway Act, to go through the steps of applying "for abandonment" to become eligible for the subsidy. So it depends very much on the individual case.

**HON. B. URUSKI:** Given that scenario that now with the changes in the Crow that the railways will be paid towards their "operating costs", can we now assume that branch line abandonment in Western Canada will become a thing of the past?

**MR. D. CAMPBELL:** Well, first of all, we have to separate again the guaranteed network from the lines that are not guaranteed.

**HON. B. URUSKI:** Mr. Chairman, if the railways receive revenues to cover generally system-wide grain hauling because your costs are based on system-wide costs and branch lines are part of that system, if adequate revenues of compensation are received by railways on the system-wide basis, my question is, can we assume that branch line abandonment on a system-wide will become a thing of the past?

**MR. D. CAMPBELL:** I don't believe it can be categorically stated in such firm terms, no. Certainly, we would have no obvious intent in the near term to contemplate it from our behalf. It's possible that the shippers on the line, whether the producers or the elevator companies may face some dilemmas, may choose to receive that subsidy money in some other form. That's a decision that they will have to make.

**MR. CHAIRMAN:** Order please. Take a one-minute recess while the master tape is changed and then we'll proceed with further questions. Just one minute.

Further questions? Mr. Uruski.

**HON. B. URUSKI:** Mr. Chairman, just so that I understand you correctly, you have indicated that if farmers should decide, with direct payments being made to farmers, take and use those funds to deliver grain to other points, that might necessitate because of that transfer, let's say the elevator companies were to, say, close down their elevators, or whatever, and farmers decided to move their grain delivery point elsewhere, that of course might necessitate an abandonment. Is that basically what you were saying?

**MR. D. CAMPBELL:** You are suggesting, if the farmers and the elevator companies decided to abandon the line.

**HON. B. URUSKI:** I wanted to understand what point you were making because I wasn't sure that I was clear on your response to myself. If you could elaborate on that.

**MR. D. CAMPBELL:** First of all, from our vested interest, of course, we hope that the new legislation is passed. If we can assume that it's passed and that the method of compensation is more or less as we understand it at this point in time, Canadian National would be, in a large sense, indifferent as to the continuation of a grain dependent line. In other words, we would receive our costs, no more, no less. Our preception of it is that it's roughly break even. So, you know, there is no strong incentive one way or the other. We're not out-of-pocket, but we are obviously not running to the bank.

So it would be really up to the farmers and/or the grain companies, the people investing in grain-handling facilities. One can foresee instances where they might collectively decide that their limited investment funds should be concentrated on adjacent lines. We are all aware that there are some cases where lines are very close together. The maintenance of those lines will mean extra cost to the total pot. So, if the farmers or the Senior Grain Transportation Committee decides that a $900 million per year bill is too expensive and they wanted to cut it down to $800 million, and if they so deemed that a method of doing so would be to replace the current operation of a light density branch line with some options, they have the scope to contemplate such things and come up with a lower-cost collection system in total. That is something that we can participate with if asked, but we can't really initiate it because we're, as I say, mainly indifferent.

If you look, as an example, at the Branch Line Rehabilitation Program, there is not enough money to do a full rehabilitation job which, besides the bank widening, the drainage, the better ballast, better ties, in some instances it includes the replacement of lightweight with heavyweight rail at a cost in excess of a third of a million dollars per mile. That money perhaps could be better utilized elsewhere. It's those kinds of policy decisions that I believe you, as a Provincial Government, and the farm organizations and the senior committee and the GTA will wish to explore further.

As I say, from our narrowest point of view, we would be indifferent to the maintenance or the abandonment of that line. Obviously, competitive considerations could come in. If the adjacent line was Brand X, perhaps we would try and to our limited capabilities, convince the grain producers and the handling companies in that region to maintain loyalty to our line. This would be obviously a novel situation in the grains industry.

**HON. B. URUSKI:** Mr. Chairman, you have taken me on a line of questioning. Using your first assumption that the railways would not be losing, there would be adequate money, what factors would you envisage being used as the consideration to have farmers and elevator companies who have their costs covered on handling and farmers historically using one delivery point? What other factors would you see as mitigating for farmers to change the use from one line to the other, necessitating an abandonment? What factors would you say would mitigate for farmers to give up a delivery point and a line that they have used for many years?

**MR. D. CAMPBELL:** I think there is a very long list. We've tried to talk to farmers; we've tried to take our own polls to find out. I think congested elevators is a very common reason and, of course, some would suggest that's because there were not enough rail cars. So, if that was our line, the obvious incentive would be to ensure that the elevators on our line always had enough room to handle the farmers' grain. We have found, from our discussions, that farmers divert their shipments to alternate delivery points usually only when there is congestion in the system. So that would be one of our major objectives.

**MR. CHAIRMAN:** Further questions for Mr. Campbell or Mr. Gosman? Seeing none, gentlemen, thank you very much for being here today and making your presentation.

Gentlemen on the committee, before we proceed any further this afternoon, in view of the fact that there are an additional 15 briefs to be heard, I think the audience would appreciate knowing when it would be our intention to take a supper break and at what time we would return. What is your will and pleasure? There has been a suggestion that we hear one more brief before supper. Would you rather set a time? What time would you like to return then? We may be able to hear one or two, depending on the length of the briefs or the questions, have a target of six o'clock to return at 7:30. It's been suggested we adjourn before six to return at seven.

It's agreed that we will adjourn before six and return to begin hearings again at 7:00 this evening.

Mr. Keith Proven, National Farmers Union, Local 516. Mr. Proven, please proceed.

**MR. K. PROVEN:** Mr. Chairman, members of the committee, I would like at this time to introduce the members of the committee from Local 516 who prepared this brief, Linda Murray on my left, Harold Proven and Cindy Murray.

I would hope that this brief will be as entertaining as Mr. Moore's was. After the long Manitoba Farm Bureau brief, it seemed to lighten the atmosphere a bit and, after the CN brief, I think we need something to lighten the atmosphere again.

It's unfortunate, I feel, that we have to present this brief. I think if the present NDP Government had been somewhat stronger in this Crow resolution that they would have come out foursquare in favour of no negotiations but, be that as it may, I will present our brief.

Few federal legislative proposals - excuse me. Mr. Blake, are you listening? Mr. Blake is my MLA, I expect he'll listen.

Few federal legislative proposals have created as much controversy or held such far-reaching economic and social implications for the farming community, as has the current proposal to scrap the statutory Crow rate on the movement of export grain.

Prairie farmers are particularly affected. While much public confusion has existed over how farmers really feel about the Crow retention, this is no longer true. This confusion was fostered by small commodity organizations and some large farmer-owned commercial organizations who claimed that they represented the majority of the farmers.

Those groups represent the sector of agriculture who do not believe in the premise of orderly marketing, equality of delivery and price for equal grades.

At this point, I could mention a number of these people who have represented their organizations, but who have unfortunately passed from active ranks of farming. That would be Don Gibb of Gibb Farms; Harvey Dann, Parkdale Farms, latterly Miami Feedlot; Dr. Bill Craddock, one of the largest farmers in Manitoba, formerly, and also vice-president of UGG; Tom Elison, former feed lot operator out of Selkirk; Dr. Larry Ragot, who used to operate Econ Consulting.

The National Farmers Union is not denying the need for an adequate, up-to-date rail system for the transportation of grain. However, we do seriously question the practicality of attempting to apply a user-pay philosophy for the transportation of major agricultural export products, which are subject to rising production costs and priced at highly competitive and fluctuating world market prices. Grain producers simply cannot afford it.

As you are probably aware, the original agreement between the Canadian Pacific Railway and the Federal Government was passed in legislation in 1881. However, construction of the railway had already been started by the Canadian Government in 1875 before the formation of the CPR. As well, the government completed the construction of two major segments of the railway at its own expense, Fort William to Winnipeg and Kamloops for Fort Moody. The cost to them was $37,785,320.00. These lines were turned over to the CPR without charge.

The government also agreed to provide the CPR with $25 million cash subsidy and 25 million acres of land for building and operating the railroad. However, this understates the benefits received by the CPR. About 60 percent of the capital invested in the construction of the original line came from the Municipal, Provincial and Federal Governments.

Total grants to the CPR for constructing the system from government sources to December 31, 1977, came to $106.3 million in cash and construction, and 43,962,546 acres of land. The CPR has realized $502 million from the sale of lands until 1965-66, when its remaining holdings were turned over to its wholly-owned subsidiary, Marathon Realty, in a stock exchange deal.

In spite of our opposition to any change in the Crow rate, we will take the time to deal with the specific proposals made in the Pepin plan.

We feel that there are seven concepts contained in the Pepin-Gilson proposals that will lead to the destruction of the Western Canadian grain handling system. Along with the loss of the grain handling system, we will lose the rural infrastructure that our forefathers developed.

1. The proposal of a rate increase for freight is one that cannot be accepted by farmers for purely economic reasons. We simply cannot afford it and in the foreseeable future, grain prices will certainly not support a five-fold increase in our freight rates.

2. Direct payments to the farmer instead of the railroad, changes a grain freight subsidy into a support price for other farm products.

3. Incentive carloading bonuses or variable freight rates will in the long run give the railroads the power to dictate which grain delivery points will end up taking most of Manitoba's grain. The big losers, besides the farmer who will have to truck grain much farther, will be the rural municipalities and the co-operative grain elevators - the municipalities for the expenses incurred in repairs and rebuilding roads and the elevator companies because the railroads will dictate to them which elevators remain open.

4. Branch line abandonment will be another result of the Pepin Gilson proposal. There is no doubt that with a change in the Crow rate the railroads will be able to decrease the emphasis on the branch lines, and as this happens, more rural communities will slowly die.

5. The proposal that would set up another agency, the Central Co-ordinating Committee, to allocate grain cars is the thin edge of the wedge which will see the Canadian Wheat Board slowly stripped of its powers. We believe that this is the real purpose behind the push to scrap the Crow rate.

6. One of the benefits that is supposed to accrue to Western Canada because of the loss of the Crow rate is increased western industrialization. We do not believe that this can or will happen. When you look at the amount of domestic crush of rapeseed that is used for food aid through the Canadian International Development Agency - and that's 70 percent - that's how much we have to give away now as food aid. When you look at the decreasing flour milling industry in Western Canada despite flour being shipped under the Crow rate, the only conclusion that can be made is that there are other reasons for the lack of industrialization in Western Canada other than the Crow rate. One reason would be the buying countries wanting to develop or strengthen their own industrial base. Farmers have to wonder how many pea-soup plants, or part-time distilleries we can support.

7. The livestock industry is supposed to take off with a loss of the Crow rate. An increase in the cost per bushel of shipping grain would cause an equal decrease in the price of the grain. We feel that the livestock industry should look at developing an improved marketing system to get better prices, rather than try to live on the backs on the farmers that raise feed grain. A realistic look at the markets for red meat indicate that farmers do not have much room for more production, no matter what the cost is.

In summing up, there is no question that the move to destroy the Crow rate is simply the first step in the destruction of the Canadian Wheat Board and a complete rationalization of the grain handling system to that of the inland terminals.

The political games being played concerning the Crow rate are very interesting, that is within farm organizations and also government circles.

1. We have the Federal Liberals split along provincial lines.

2. We have the Federal Conservatives split amongst themselves, but basically they are for the destruction of the Crow rate.

3. The Provincial New Democratic Party has been very lukewarm in their support of the Crow retention in spite of what their provincial membership wants.

4. Premier Pawley's selection of NDP committee members makes us wonder how committed he is to the preservation of the Crow rate.

5. Pool elevators have had a real loss in credibility with their misguided leadership concerning the Crow issue.

We think it is safe to say that some of the leadership in this issue has been very suspect, if not completely incompetent.

From 1970 to 1982, public investments in hopper cars, car repairs, branch line subsidiaries, and branch line rehabilitation totals $1,580,700,000.00.
All of the investments in the railroads have not, nor is it proposed to result in the public equity in the CPR.

We recommend to the Provincial Government that:

(1) Increase the tax on the CN-CP trucks for the purpose of financing roads;

(2) List all CPR and related company holdings selectively to assess and levy property and impose charges;

(3) Expropriate urban land holdings relating back to the historic gifts to companies;

(4) Manitoba Government should pressure the Federal Government to amalgamate CN and CP enterprises and run as a public utility at cost;

(5) Produce maps of all mineral deposits of oil and natural gas held by the CPR;

(6) Calculate and analyse future railway revenues based on railway and Department of Transport figures;

(7) Project tonnage increase in bulk commodities and general cargoes;

(8) Calculate the economic impact of farm incomes to service centres such as Brandon.

We recommend the following information be supplied to Manitoba schools, libraries, and urban and rural municipalities by the Manitoba Government, all of which is respectfully submitted by National Farmers Union, Local 516.

**MR. CHAIRMAN:** Thank you very much for your presentation, Mr. Proven. Questions for Mr. Proven? Mr. Uskiw.

**HON. S. USKIW:** Mr. Proven, I would like to deal with the more constructive part of your brief on Page 4. You raised the question, or you imply that the Government of Manitoba is not very interested in the issue. I'm wondering what it is that you would want the government to do other than what it has been doing to effect its influence on this issue?

**MR. K. PROVEN:** I think when the announcements were first made that the Crow was up for negotiation, that the Provincial Government and NDP Government should have stated flatly that there would be no negotiation on the part of the NDP Government.

**HON. S. USKIW:** That's the very reason I raise that question because obviously then you must not be aware that the provinces are not involved and have not been involved in the negotiations with the Government of Canada; not by choice, but by the fact that the Government of Canada, when it announced its intentions, had announced that a decision had been made and that they were not intending to consult with provincial governments but that they would set up a mechanism via Dr. Gilson to consult with farmers and their organizations on how to implement a decision that was already made. That was the way that announcement came through. So the provinces had no direct role to play vis-a-vis the Government of Canada by their choice and by the fact that the Government of Canada has constitutional jurisdiction over transportation across Canada. Now, how would the province then inject itself into that arena as a government in your view?

**MR. K. PROVEN:** I understand what the Federal Government said about provincial involvement, but at no point was this Provincial Government not allowed to speak out very strongly and say that there would be no negotiations. At your convention, two years ago, a resolution was passed where the membership said there should be no negotiations and yet your government went ahead and negotiated the demise of the Crow rate.

**HON. S. USKIW:** I wonder if you could clarify that for us. When and where and how were Provincial Governments anywhere in Canada involved in negotiating this issue?

**MR. K. PROVEN:** Just before the Provincial Convention of 1982, Jean-Luc Pepin came in to Winnipeg and talked to both you and Muriel Smith. At that point, we were lobbying on behalf of a national meat authority at your convention and we discovered that all of a sudden the Provincial NDP Cabinet especially was not solid on the Crow rate, that you felt it was time for a change.

**HON. S. USKIW:** Well, let me then refresh your memory. We had indicated to you a moment ago, or I had, that there were no negotiations and that was stated publicly by the Government of Canada, and that the only purpose of Jean-Luc Pepin's visit to the Provincial Governments was to let them know what they were doing, and at which time they told us they would not be negotiating with governments. So, I again ask you then, how do you arrive at the proposition that there were negotiations of any kind between Provincial Governments and the Government of Canada?

**MR. K. PROVEN:** In reference to that, on February 7, 1974, Co-Operator, your response to an NFU submission was: "Replying to the submission's recommendation that the 1897 Crowsnest rates for grain shipment by rail be retained, Mr. Uskiw said it was regrettable, but there is no question but they will be abandoned." In 1982, in August, you restated that.

**HON. S. USKIW:** How does that imply negotiation?

**MR. K. PROVEN:** Again, I will repeat that on the Convention floor in Winnipeg, we found after Jean-Luc Pepin had been in and offered a sum of money, a rural or industrial spin-off, then you were prepared to negotiate on the Crow.

**HON. S. USKIW:** Well, I suppose you are entitled to your opinion. It's a new one on all of us here. There have never been any negotations with anyone because we were not invited to negotiate. In fact, we were told we couldn't if we wanted to.

I would then want to ask you the follow-up on the second point of your brief or Item 4, rather. Who should have been on this committee, since you don't like the composition of the government members of this committee?

**MR. K. PROVEN:** I will repeat again that this committee should never have had to have been struck because the Provincial Government should have said categorically that there will be no negotiations. But, since it has been struck, I think the NDP should have selected people that were very strong, in favour of retention of the Crow, because I'm quite certain that the Conservatives will be asking the question of people in such a way that would show that there are a lot of people who don't want the Crow to stay. I think the NDP should be placed in the position of defending those who want complete retention.

**HON. S. USKIW:** Are you suggesting by that statement then that the present committee members are not friendly to the retention of the Crow?

**MR. K. PROVEN:** I will state that I have been impressed by some of the questions asked; but I will repeat that when given the opportunity to stand up and say, no retention, you did not.

**HON. S. USKIW:** My last question then. Since you are not impressed with the commitment on the part of this committee to the Crow issue, who or which members do you think in the government would have been more committed than this particular group?

**MR. K. PROVEN:** Would you like me to list them off from my head?

**HON. S. USKIW:** Sure, by all means.

**MR. K. PROVEN:** Wilson Parasiuk, Jay Cowan, Mr. Harapiak, Mr. Plohman, Mr. Uruski, and I'm not saying Mr. Anstett one way or the other since he's Chairman.

**HON. S. USKIW:** Obviously then, what you are saying is that you're not implying that the whole of this committe is not uncommitted?

**MR. K. PROVEN:** No.

**HON. S. USKIW:** I see. Okay, that's fine.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** I ask this question at the risk of being condemned here. Keith, what area does the Local 516 encompass?

**MR. K. PROVEN:** Local 516 runs from roughly the north boundary of Brandon up to the bottom of Riding Mountain National Park - six municipalities - Harrison, Saskatchewan, Minto, Odanah and the LGD of Park, I guess, Don.

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

**MR. D. BLAKE:** Thank you, Mr. Chairman. I just have one or two quick questions for Keith. The third paragraph, I think, of your brief, you mentioned groups that do not believe in the premise of orderly marketing, and you mentioned Mr. Ragot of Econ. When that company went into receivership I was extremely surprised to note in the list of creditors, there were two very strong supporters of the National Farmers Union cause listed in the group of creditors. Is that a common occurrence, or was that just a fluke that they happened to get caught selling grain other than through an orderly marketing system?

**MR. CHAIRMAN:** Mr. Proven.

**MR. K. PROVEN:** In reply to your question, we are not able to control totally what our members do, as the Conservative Party is not able to control totally what some of their members say.

**MR. D. BLAKE:** A more serious question, Mr. Chairman, when the Gilson Committee was announced and the National Farmers Union took a strong position that they would not present themselves at any of the hearings, do you not feel that you could have put your point across a little stronger to the Gilson Committee if you had appeared before them presenting your strong views as you've presented them since then? Do you not think that would have furthered your cause more than boycotting the meetings?

**MR. K. PROVEN:** There is no way that you could appear at negotiations, saying that you don't want to negotiate.

**MR. D. BLAKE:** Okay. If it should come to pass that there is going to be change, and there seems to be a consensus that some change although nobody knows what the change should be, could you accept a change in the Crow rate if it were tied to the price of the product?

**MR. K. PROVEN:** I will not yet accept that there is a consensus amongst farmers, first. I don't think there is a consensus for change. And no, we cannot accept that the price should be tied to the price of grain since lessons of history have stated back in the bad old days, that freight bills on carloads of grain shipped out could amount to more than what the grain was worth by the time it was received by the buyer.

**MR. D. BLAKE:** I'm not too sure that ever happened on grain, but I know it did on cattle.

**MR. K. PROVEN:** Yes, it did happen on grain also.

**MR. CHAIRMAN:** Further questions for Mr. Proven? Mr. Uruski.

**HON. B. URUSKI:** Mr. Proven, since you implied that there were some members on the committee that you weren't that pleased about, could you tell us if all the Conservative members that are on the committee you were pleased with?

**MR. K. PROVEN:** Well I don't mind answering it. I would like to state as we see it right now, that the Conservatives are prepared to accept a change in the Crow rate. And no, we would not feel that they are our supporters.

**MR. CHAIRMAN:** Further questions. Mr. Uruski.

**HON. B. URUSKI:** Just one more. In light of your statements just a minute ago to Mr. Blake in that you did not want to participate and be associated with any negotiations because you felt that the Crow would go, and that the Province of Manitoba and the Government of Manitoba was explicitly excluded from taking part in any negotiations or being party of them, how do you reconcile your position there with the government's so-called negotiation, your statement of a government negotiating the Crow away?

**MR. K. PROVEN:** I'll have to ask the Minister to restate the question, because I was slightly sidetracked.

**HON. B. URUSKI:** Mr. Chairman, I heard you say to Mr. Blake that we did not want to get involved in the negotiations because once you sat at the table you were prepared to have the Crow go. The Government of Manitoba was excluded from being at the table and yet you have accused the government of negotiating the Crow. How do you explain that?

**MR. K. PROVEN:** The Federal Government did explicitly say that the province would not be involved, quite right. But what we asked the Provincial Government to do was to come out totally against any deletion, any watering down of what we have as the Crow rate, and the Provincial Government did not do that, did not ever say that.

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

**MR. H. HARAPIAK:** I had some concerns about the members that are sitting in the committee. I know in the meetings that were held in the Swan River area, the Farmers Union membership showed up in great numbers - and there were hearings earlier in the year - and I'm not sure if this was one of the areas that there was meetings, but in this general area there wasn't much of a turnout. So maybe your organization didn't support the cause as strongly as you could have either. Do you have a comment on that?

**MR. CHAIRMAN:** Mr. Proven.

**MR. K. PROVEN:** About the number of NFUer's that were here or have been here? We had a large number of NFUer's here, but I'm afraid that they are farmers. They have chores to do; they have cows to milk, and they had to leave. If you notice the time, it's 10 to 6.

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

**HON. S. USKIW:** Yes. I would like to pursue the point that you made a moment ago, and that is you don't like the current NDP position on this issue. Are you referring to the policy statement that was issued by the Premier of Manitoba, the Leader of the NDP federally and the Leader of the Opposition in Saskatchewan about a month ago?

**MR. K. PROVEN:** I can't say I am familiar with the particulars of it.

**HON. S. USKIW:** Well that was the announcement that was made in Winnipeg, indicating that we recognized that railways need more money and that we would be prepared to go with a subsidy to the railway system while the Crow rate would be kept intact for the farmers, who are the users. That was a policy statement that was issued by those three people on March the 4th. So you're not referring to that particular policy then?

**MR. K. PROVEN:** You're asking a question now?

**HON. S. USKIW:** Yes.

**MR. K. PROVEN:** If indeed you have come out and said that you are totally in favour of retention of the Crow and that you are in agreement with our policy of paying the subsidy directly to the railroads, then I applaud you.

**HON. S. USKIW:** Just to clear the air on that one, the statement was - and I'm surprised that you are not aware of it - that the railways should get an increase on the cost of hauling grain and that there should be direct transfer payments from the Government of Canada to the railways, but the Crow Statute should be untouched. That was the policy statement that was issued in March. You are apparently not aware of that at all?

**MR. K. PROVEN:** If that is indeed the case, Mr. Uskiw, I wish you had said it two years ago.

**HON. S. USKIW:** Pardon me?

**MR. K. PROVEN:** I wish you had said that two years ago.

**HON. S. USKIW:** Unfortunately I, as one person, don't command the authority over Ed Broadbent and Mr. Pawley and Mr. Blakeney. It takes time to put those things together.

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

**HON. J. PLOHMAN:** Yes, Mr. Chairman. I would just like to ask whether - I don't think this has been answered yet - as to what action the government should have taken specifically to make people more aware of their position in opposition to the Crow changes. You may be aware that the government did introduce a resolution last year in the Legislature. It was highlighted in speeches many days in the Legislature, and the press doesn't necessarily focus on that. We've spoken out against it. I'm just wondering what kinds of things you feel, because you're not aware necessarily of the statements made by the leaders of the parties and so on. How do we make people aware that we're against it?

**MR. K. PROVEN:** Again I will repeat that if I was not aware of the statement, it does not change the fact that that statement should have been made two years ago. What we expected of you, of the NDP Government, was some leadership in the fight in the rural area.

Now, I know that it's going to be said that you sponsored studies, and then put them out, and there was no particular interest by farmers on those studies. That was six months after the fact. The fight should have started immediately, as soon as the negotiations were going to start, when the Federal Government said the Crow was going to change.

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

Seeing none. Oh, Mr. Uskiw.

**HON. S. USKIW:** Yes, I think that I should ask you one more question.

The Pepin announcement came in February of '82, which was just over a year ago, not two years ago. Subsequent to that, there were public hearings such as this, public meetings which I conducted as Minister of Transportation for Manitoba. Those meetings were completed in April, which is exactly a year ago.

Would you explain to me why it was that the general public did not respond to that initiative a year ago, on this issue? I say that in light of the fact that all of the meetings were a complete fizzle. There was no credible participation on the part of the public, despite the fact that we had mailed out some 20,000 well-documented brochures explaining the whole issue, and the analysis that was done by Dr. Tyrchniewicz, by the Department of Transport Manitoba, a very heavy document that went out, as comprehensive as one could make it, and yet there was not the participation that there should have been a year ago, including from members of your group.

**MR. K. PROVEN:** I can't speak for other groups, but I know that the NFU has participated fully.

In spite of not wanting to negotiate, we've had to fight this for quite awhile along with other farm groups. We realize that this proposal is a made-in-Ottawa proposal. It has been a foregone conclusion that the Crow must go. Whatever negotiations went on with Gilson, with Manitoba Pool, were indeed a farce. It was a foregone conclusion what will happen.

As to the public apathy, it just meant that a lot of us didn't do our homework well enough to get the people out.

**HON. S. USKIW:** Yes, given that you agree that there was that much public apathy then, why would you then feel that somehow the Government of Manitoba has the power to turn this issue around all by itself, if indeed it didn't get the support of the rank and file producers in the course of those hearings? How could you put that together in that way?

**MR. K. PROVEN:** There's a price to be paid for being elected and becoming leaders. Being of leadership capability, obviously means you were elected to be a leader and that's what you have to do.

**HON. S. USKIW:** I appreciate that, but since there was a lack of public response to the issue, how could you then conclude that somehow the Government of Manitoba, although by determination of the Government of Canada was not party to the negotiation process, that somehow one provincial government could swing this issue without the evidence of support of rank and file producers?

**MR. K. PROVEN:** Nobody asked you to do it by yourself. What we asked was help from you for us, and for the other groups that were fighting to retain the Crow.

**HON. S. USKIW:** Perhaps you might want to be more explicit. What kind of help are you referring to?

**MR. K. PROVEN:** We had asked for financial aid.

**HON. S. USKIW:** Oh, okay.

**MR. K. PROVEN:** Mounting an education program on the Crow.

**HON. S. USKIW:** Now I understand your position. That's fine.

**MR. CHAIRMAN:** Any further questions for Mr. Proven?

Hearing none, Mr. Proven, thank you very much, and your other representatives for being here today and presenting your briefs.

**MR. K. PROVEN:** Thank you.

**MR. CHAIRMAN:** Ladies and gentlemen, as agreed we will now take a supper break. The committee will recess until 7:00 p.m.

I believe the Clerk can make the room secure, so that if you wish to leave anything you can leave it on your desk here.

Committee is recessed until 7:00 p.m.

APPENDIX A

WESTERN AGRICULTURAL CONFERENCE

February 11, 1981

The Right Honourable Pierre E. Trudeau,
Prime Minister of Canada,
Ottawa, Ontario

Dear Mr. Prime Minister:

Further to our discussion this week, with Ministers of your government, please be advised that representatives of the Western Agricultural Conference, the three prairie Wheat Pools and United Grain Growers have met and wish to elaborate on and clarify the position put forward earlier.

Member organizations of the WAC, including specifically those organizations whose representatives' signatures appear here, are prepared to agree to a conditional commitment by your government to the payment of the present shortfall in grain revenue to the railways.

We are also prepared to accept the suggestion that your commitment be contingent upon successful negotiation of arrangements for meeting future cost increases due to inflation or other relevant causes. Negotiation of such arrangements could be facilitated by a team to be established for that purpose.

We acknowledge your government's earlier commitment to upgrading of the system, a subject which is an integral part of the WAC position.

A copy of the entire WAC policy proposal is attached for your convenience.

The importance of grain exports to Canada's economy underlies the need for an immediate and concerted effort to revitalize the grain transportation system.

We look forward to immediate consideration of our position as stated here. We are prepared to meet further with members of your cabinet so that the negotiations referred to can be completed in time for consideration of legislation by the fall session of Parliament.

Yours very truly,

The WAC Executive,

President H.D. Falkenberg (President, Unifarm

1st. V.-Pres. L.E. Parker (President, Man. Farm Bureau)

2nd. V.-Pres. L.H.F. Hehn (Vice-Pres. United Grain Growers)

3rd. V.-Pres. J.W. Marshall (Pres. Sask. Fed. of Agric.)

with additional endorsation of:

E.K. Turner (President, Sask. Wheat Pool)

A.J. Macpherson (President, Alta. Wheat Pool)

W.W. Fraser (President, Man. Pool Elevators)

APPENDIX A

cc: Hon. Jean-Luc Pepin, Minister of Transport
Hon. Eugene F. Whelan, Minister of Agriculture
Hon. Senator Hazen Argue, Minister of State for the Canadian Wheat Board
Hon. Senator H.A. Olson, Minister of State for Economic Development
Hon. L. Axworthy, Minister of Employment & Immigration
Hon. H. Gray, Minister of Industry, Trade & Commerce
Hon. D. Johnston, President, Treasury Board
Hon. A. MacEachen, Minister of Finance
Hon. Senator Ray Perreault
Hon. Senator G. Molgat

APPENDIX B

April 20, 1983

The Right Honourable Pierre E. Trudeau,
Prime Minister of Canada
House of Commons
OTTAWA, Canada

Dear Mr. Prime Minister:

Projected growth in rail shipments of bulk commodities, including grain, is leading to a real crisis in rail capacity in Western Canada. This could have very serious consequences on grain movement because of the lower priority which is likely to be placed on this commodity by the railways due to the statutory rates.

The real concern of Western Canadian producers is the guarantee of a transportation system with the capacity and incentive to provide the essential service. For this reason we urgently request that immediate steps be taken to resolve the statutory rate issue.

We believe that to the largest degree possible there is a consensus to move quickly to attempt to negotiate a resolution to the issue which all parties can support. This consensus is predicated on a Federal Government commitment to provide the payment of the present shortfall between the Crow Rate and the current cost of transporting prairie grain and continued upgrading of branch lines.

To this end we think a negotiating team should be established immediately to develop a detailed solution. This team should be given a firm deadline for completion of its task.

On the basis of immediate action by the Federal Government to undertake to initiate the above described process, we the undersigned make a commitment to support and to participate in that process.

Yours truly,

Lorne E. Parker — President Manitoba Farm Bureau

W. W. Fraser — President Manitoba Pool Elevators

Larry W. Clifford — President Manitoba Cattle Producers' Assoc.

A. M. Runciman — President United Grain Growers

per [illegible]

[illegible] — President Manitoba Hog Producers' Mkt'g Board

(continued on Page 2)

APPENDIX B

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| | |
|---|---|
| [illegible] | Manitoba Br. Canadian Seed Growers |
| [illegible] | Diploma Ag. Graduates Assoc. |
| [illegible] | Manitoba Women's Institute |
| [illegible] | Manitoba Milk Producers Mkt'ng Board |
| [illegible] | Manitoba Farm Business Assoc. |
| [illegible] | Co-operative Hail Insurance |
| [illegible] | Manitoba Turkey Producers' Mkt'ng Board |
| A. E. Hall. | Manitoba Chicken Broiler Producers' Mkt'ng Board |
| [illegible] | Manitoba Egg Producers' Mkt'ng Board |
| W. A. Ronald | Manitoba Sugar Beet Producers' Assoc. |
| [illegible] | Vegetable Growers' Assoc. of Manitoba |

APPENDIX C

Principles enunciated by the Federal Government in Announcement, February 8, 1982

"The Government believes that the solution to existing problems, and the shared approach it wishes to pursue, should be developed on the basis of the following principles:

1. A statutory framework should be created by Parliament to give effect to the new arrangements, and specifically to provide a basis on which adequate compensation to the railways for moving grain could be established at the earliest possible date.

2. In accordance with proposals made to it by the major producer organizations in Western Canada, the Government of Canada is prepared:

   a. to commit itself by statute to the payment on an annual basis of an amount equivalent to the 1981-82 shortfall in railway compensation; and

   b. to enter into discussions with the producer organizations and the railways concerning ways of meeting cost increases incurred in the fiscal years beyond 1981-82.

3. While the Government is prepared to bear a substantial part of the cost of grain transportation in future years, its resources are limited. An increased contribution by grain producers will be required.

4. In return for being compensated, the railways will be required to take action on several fronts, including:

   a. performance and service guarantees related to grain transportation;

   b. commitments regarding additional investment programs that would be undertaken;

   c. adjustments to other rates in order to promote agricultural diversification and processing in Western Canada; and

   d. presentation of data concerning their revenues, costs and investment plans.

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APPENDIX D

## COST to EXTEND CROW BENEFIT to NON-STATUTORY GRAINS

Prepared on Behalf of Manitoba Farm Bureau

April 28, 1982

The following estimate is developed for the 1980/81 crop year to provide an indication of the magnitude of extending the crow benefit to non-statutory grains - including special crops, Western Canada processed grains, and feed grains.

The calculation is a residual calculation - that is it estimates those grains that either do not leave the farm or do not move at the statutory rate. This net tonnage is the estimate of grains that are directly transported or their end products are at compensatory rates and hence suffer from a transportation cost discrimination.

The cost estimate for the Crow Benefit employs the Snavely costs for 1980 as follows:

| | | ($ million) | Per Tonne |
|---|---|---|---|
| 1980 | Variable cost | 547.3 | $20.28 |
| | Contribution | 123.2 | 4.56 |
| | Total | 670.7 | 24.84 |
| 1980 | Statutory revenue | 132.0 | 4.89 |
| 1980 | Metric tonnage | 27.0 | ---- |

Estimate of Crow Benefit in 1980 including acontribution to variable cost for the railways at 22.5% is $19.95/tonne (say $20.00/tonne)

| | Tonnage | $ |
|---|---|---|
| Special Crops: | | |
| Tonnage transported but not at statutory rate | 600,000 | 12,000,000 |
| Processed Grains: | | |
| Tonnage transported but not at statutory rate | 860,000 | 17,200,000 |
| Feed Grains: | | |
| Tonnage transported but not at statutory rate | 6,890,000 | 137,800,000 |
| Total | 8,350,000 | 167,000,000 |

5. The economic distortions within the agricultural sector stemming from the Statutory rate should be reduced, without recourse to new transportation subsidies for crops not covered by the present Statutory rate, or for goods such as livestock and processed agricultural products.

6. The new framework to be developed should promote increased efficiency and economy in the operation of the grain transportation system, and the Western railway system as a whole.

7. Nothing in the new arrangements shall affect the existing Government's financial commitment for branch line rehabilitation. In addition, the Government will take prompt action to procure an additional 1,280 hopper cars in 1982."

APPENDIX D

## Special Crops:

1980 & 1981 Composite (1)
(000 tonnes)

| Supply: | Corn | Sunflower | Mustard | Peas | All others (2) | Total |
|---|---|---|---|---|---|---|
| Production | 350 | 200 | 95 | 85 | 75 | 805 |
| Disposition: | 50 | -- | -- | -- | -- | 50 |
| | 100 | 20 | 5 | 15 | 15 | 155 |
| Net Dom.Mktgs. | 200 | 180 | 90 | 70 | 60 | 600 |

(1) N.B. As 1980 was a reduced production year due to droubt in the major special crops area of Manitoba a composite 1980 and 1981 production estimate is employed.

(2) Beans, lentils, canary seed.

## Traditional Grains:

(000 M.T.)

| | Wheat | Oats | Barley | Rye | Flax | Rapeseed | Total |
|---|---|---|---|---|---|---|---|
| **Supply** | | | | | | | |
| carry-in | 4142 | 492 | 980 | 127 | 147 | 340 | 6228 |
| production | 18,240 | 2219 | 10,540 | 377 | 465 | 2483 | 34,324 |
| Total | 22,382 | 2711 | 11,520 | 504 | 612 | 2823 | 40,552 |
| **Disposition** | | | | | | | |
| Marketings | 18,630 | 388 | 6410 | 356 | 439 | 2120 | 28,343 |
| carry-out | 1369 | 447 | 882 | 51 | 64 | 392 | 3205 |
| seed | 1074 | 140 | 459 | 29 | 19 | 11 | 1732 |
| feed, waste & dockage | 1309 | 1736 | 3769 | 68 | 90 | 300 | 7272 |
| % of dockage | 2.5 | 1.0 | 1.0 | 3.0 | 9.0 | 9.0 | |
| dockage & waste | 459 | 36 | 169 | 18 | 90 | 300 | 1072 |
| Prairie feed res. | 850 | 1700 | 3600 | 50 | -- | -- | 6200 |
| Mktg. to Processors | 163 | 3 | 11 | 1 | 10 | 849 | 1037 |
| Mktg. of feed in Western Canada | 140 | 77 | 472 | -- | -- | -- | 689 |

APPENDIX E

# MANITOBA FARM BUREAU

437 ASSINIBOINE AVENUE, WINNIPEG, MANITOBA R3C 0Y5
Area Code 204 Phone 943-2509

March 28, 1983

The Rt. Hon. Pierre E. Trudeau
Prime Minister of Canada
House of Commons
Ottawa, Ontario

Dear Mr. Trudeau:

As you will be very aware, the policy package concerning the transportation of agricultural commodities in prairie Canada, announced by the Hon. Jean-Luc Pepin, Minister of Transport, February 1, 1983, is the topic of a great deal of debate and controversy in agricultural circles.

The Manitoba Farm Bureau is concerned that the discussions on the "Crow Policy" are taking place in a highly emotional atmosphere, characterized in all too many instances by either a lack of information or the deliberate injection of misinformation.

Although the Manitoba Farm Bureau continues to have some areas of dissatisfaction concerning the policy package announced by the Hon Mr. Pepin, we believe it imperative that the Government of Canada table the proposed "Crow" legislation in the House of Commons, or otherwise make public the details of it in order that the debate can take place in an informed way. The details of the proposed legislation should be made public immediately in order to permit agricultural producers to study the matter before entering the extremely busy spring seeding period. It is our opinion that the proposed legislation should be introduced at the earliest possible date and thereby subjected to the usual Parliamentary process in order that a resolution of this extremely important issue can be taken one step further.

. . . 2

APPENDIX E

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Your anticipated consideration of our concerns and recommendations in this regard are appreciated.

Sincerely,

Lorne E. Parker

Lorne E. Parker
President

LP/ab

cc Hon. Jean-Luc Pepin, Minister of Transport
Hon. Eugene Whelan, Minister of Agriculture
Hon. Hazen Argue, Minister Responsible for the Canadian Wheat Board
Hon. Lloyd Axworthy, Minister of Manpower & Immigration

Table 1. GRAIN FORWARDING PRICES
(dollars per tonne)

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

* Source: Canadian Grain Commission
** Based upon proposed Base Rate Scale

Table 2. RATIO OF PAYMENTS

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

Table 3

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

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

* Paid by producer at elevators.
** After producer receives these government payments: Crow Benefit, government share of cost increases, and Agricultural Adjustment payment.
*** Assumes rail cost changes of 8 per cent in crop year 1982/83, 7 per cent in 1983/84, and 6 per cent in ensuing years.

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

Table 4. THE NEW BASE RATE SCALE

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

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

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

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

= **Multiple of Crow**

Step 3. Multiple of Crow X Base Rate Scale

= **Annual Rate Scale**

Step 4. Payment of Annual Rate Scale:

a) Shipper pays:

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

b) Government pays the balance directly to the railways.

WESTERN TRANSPORTATION INITIATIVE
SAFETY-NET CALCULATIONS
APRIL 18/83

(1)

Base case

| | 81/82 | 82/83 | 83/84 | 84/85 | 85/86 | 86/87 | 87/88 | 88/89 | 89/90 | 90/91 | 91/92 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tonnage | 31.1 | 31.5 | 32.1 | 32.6 | 33.2 | 34.4 | 35.7 | 37.0 | 38.2 | 39.5 | 40.8 |
| Inflation (%) | | 9.3 | 8.0 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Phase In | 1.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | | | | | | | | | | |
| Volume related | 580.7 | 634.5 | 690.1 | 741.4 | 790.9 | 868.6 | 955.0 | 1048.6 | 1150.1 | 1259.9 | 1378.7 |
| Contribution | 116.1 | 0.0 | 34.5 | 74.1 | 118.6 | 173.7 | 191.0 | 209.7 | 230.0 | 252.0 | 275.7 |
| Line related | 104.8 | 108.5 | 115.6 | 121.7 | 127.2 | 134.9 | 143.0 | 151.5 | 160.6 | 170.3 | 180.5 |
| Oil cars | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total cost | 803.6 | 745.0 | 842.2 | 939.2 | 1038.7 | 1179.2 | 1291.0 | 1411.9 | 1542.7 | 1684.1 | 1836.9 |
| | | | | | | | | | | | |
| Base tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Prod Inflation | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Govt Infl share | 0.0 | 9.3 | 5.0 | 4.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Base ton cost | 580.7 | 626.5 | 668.6 | 707.3 | 740.9 | 785.3 | 832.4 | 882.4 | 935.3 | 991.4 | 1050.9 |
| Base tonne contribution | 116.1 | 0.0 | 33.4 | 70.7 | 111.1 | 157.1 | 166.5 | 176.5 | 187.1 | 198.3 | 210.2 |
| Base tonne other | 106.8 | 110.5 | 117.6 | 123.7 | 129.2 | 136.9 | 145.0 | 153.5 | 162.6 | 172.3 | 182.5 |
| Base tonne total | 803.6 | 737.0 | 819.6 | 901.7 | 981.2 | 1079.2 | 1143.9 | 1212.4 | 1285.0 | 1362.0 | 1443.6 |
| | | | | | | | | | | | |
| Volume cost over base | 0.0 | 8.1 | 22.6 | 37.5 | 57.5 | 100.0 | 147.1 | 199.5 | 257.7 | 322.1 | 393.3 |
| | | | | | | | | | | | |
| Cost Incr over base | | 49.5 | 51.5 | 48.8 | 44.4 | 61.5 | 65.2 | 69.1 | 73.3 | 77.7 | 82.3 |
| Producer Share | | | 22.1 | 24.6 | 27.0 | 58.9 | 64.8 | 68.6 | 72.7 | 77.1 | 81.7 |
| Accum. producer share | | | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| | | | | | | | | | | | |
| Base Gov't Pymt | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 |
| Spec Adj(82/83) | 0.0 | 8.1 | | | | | | | | | |
| Gov't share cost increase | | 49.5 | 78.9 | 103.1 | 120.5 | 123.1 | 123.5 | 124.0 | 124.5 | 125.1 | 125.7 |
| Gov't share of contrib. | 116.1 | 0.0 | 31.2 | 64.4 | 99.5 | 136.0 | 135.5 | 134.9 | 134.2 | 133.5 | 132.8 |
| Gov't Payments | 651.6 | 593.1 | 645.5 | 703.0 | 755.5 | 794.6 | 794.5 | 794.4 | 794.3 | 794.1 | 794.0 |
| | | | | | | | | | | | |
| Share to producers | 0.0 | 0.0 | 32.8 | 40.7 | 48.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Share to Railways | 0.0 | 100.0 | 67.2 | 59.3 | 51.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| | | | | | | | | | | | |
| Producers share (gross) | | | | | | | | | | | |
| crow benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Volume increase | 0.0 | 0.0 | 22.6 | 37.5 | 57.5 | 100.0 | 147.1 | 199.5 | 257.7 | 322.1 | 393.3 |
| Cost increase | 0.0 | 0.0 | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| Crow Rate | 152.0 | 154.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 |
| Total (Gross) | 152.0 | 154.0 | 408.5 | 522.4 | 649.7 | 782.0 | 893.8 | 1014.8 | 1145.6 | 1287.1 | 1440.0 |
| | | | | | | | | | | | |
| Less Crow Benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Ag. adjustment | 0.0 | 0.0 | 78.9 | 69.1 | 56.1 | | | | | | |
| Total (Net) | 0.0 | 0.0 | 117.9 | 167.2 | 227.2 | 384.7 | 496.5 | 617.6 | 748.5 | 890.0 | 1042.9 |
| | | | | | | | | | | | |
| Rate/Tonne | | | | | | | | | | | |
| Gross | 4.89 | 4.89 | 12.72 | 16.02 | 19.57 | 22.73 | 25.05 | 27.46 | 29.96 | 32.57 | 35.29 |
| Net | 0.00 | 0.00 | 3.67 | 5.13 | 6.84 | 11.18 | 13.92 | 16.71 | 19.57 | 22.52 | 25.56 |
| Min. Price Level | 0.0 | 0.0 | 45.9 | 64.1 | 85.5 | 139.8 | 173.9 | 208.9 | 244.7 | 281.5 | 319.5 |

WESTERN TRANSPORTATION INITIATIVE
SAFETY-NET CALCULATIONS
APRIL 18/83

(2)

Inflation at 8%

| | 81/82 | 82/83 | 83/84 | 84/85 | 85/86 | 86/87 | 87/88 | 88/89 | 89/90 | 90/91 | 91/92 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tonnage | 31.1 | 31.5 | 32.1 | 32.6 | 33.2 | 34.4 | 35.7 | 37.0 | 38.2 | 39.5 | 40.8 |
| Inflation (%) | | 9.3 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Phase in | 1.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | | | | | | | | | | |
| Volume related | 580.7 | 634.5 | 690.1 | 747.2 | 809.9 | 906.3 | 1015.2 | 1135.7 | 1269.1 | 1416.5 | 1579.4 |
| Contribution | 116.1 | 0.0 | 34.5 | 74.7 | 121.5 | 181.3 | 203.0 | 227.1 | 253.8 | 283.3 | 315.9 |
| Line related | 104.8 | 108.5 | 115.6 | 122.5 | 130.0 | 140.4 | 151.7 | 163.8 | 176.9 | 191.9 | 206.3 |
| Oil cars | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total cost | 803.6 | 745.0 | 842.2 | 946.4 | 1063.4 | 1229.9 | 1371.9 | 1528.7 | 1701.8 | 1892.8 | 2103.5 |
| | | | | | | | | | | | |
| Base tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Prod inflation | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Govt infl share | 0.0 | 9.3 | 5.0 | 5.0 | 5.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| | | | | | | | | | | | |
| Base ton cost | 580.7 | 626.5 | 668.6 | 712.8 | 758.6 | 819.3 | 884.9 | 955.7 | 1032.1 | 1114.7 | 1203.9 |
| Base tonne contribution | 116.1 | 0.0 | 33.4 | 71.3 | 113.8 | 163.9 | 177.0 | 191.1 | 206.4 | 222.9 | 240.8 |
| Base tonne other | 106.8 | 110.5 | 117.6 | 124.5 | 132.0 | 142.4 | 153.7 | 165.8 | 178.9 | 193.0 | 208.3 |
| Base tonne total | 803.6 | 737.0 | 819.6 | 908.6 | 1004.5 | 1125.6 | 1215.5 | 1312.6 | 1417.4 | 1530.7 | 1653.0 |
| | | | | | | | | | | | |
| Volume cost over base | 0.0 | 8.1 | 22.6 | 37.8 | 58.9 | 104.3 | 156.4 | 216.1 | 284.3 | 362.2 | 450.6 |
| | | | | | | | | | | | |
| Cost incr over base | | 49.5 | 51.5 | 55.8 | 60.7 | 84.2 | 90.9 | 98.2 | 106.1 | 114.6 | 123.7 |
| Producer Share | | | 22.1 | 24.6 | 27.3 | 60.3 | 67.5 | 72.9 | 78.8 | 85.0 | 91.8 |
| Accum. producer share | | | 22.1 | 46.7 | 74.0 | 134.2 | 201.8 | 274.7 | 353.4 | 438.5 | 530.3 |
| | | | | | | | | | | | |
| Base Gov't Pymt | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 |
| Spec Adj(82/83) | 0.0 | 8.1 | | | | | | | | | |
| Gov't share cost increase | | 49.5 | 78.9 | 110.1 | 143.5 | 167.4 | 190.8 | 216.1 | 243.4 | 272.9 | 304.8 |
| Gov't share of contrib. | 116.1 | 0.0 | 31.2 | 64.3 | 99.5 | 136.5 | 135.4 | 134.3 | 133.1 | 131.8 | 130.3 |
| Gov't Payments | 651.6 | 593.1 | 645.5 | 709.9 | 778.5 | 839.4 | 861.8 | 885.9 | 912.0 | 940.2 | 970.6 |
| | | | | | | | | | | | |
| Share to producers | 0.0 | 0.0 | 32.8 | 40.7 | 48.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Share to Railways | 0.0 | 100.0 | 67.2 | 59.3 | 51.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| | | | | | | | | | | | |
| Producers share (gross) | | | | | | | | | | | |
| crow benefit | 0.0 | 0.0 | 211.7 | 288.9 | 377.6 | 419.7 | 430.9 | 443.0 | 456.0 | 470.1 | 485.3 |
| Volume increase | 0.0 | 0.0 | 22.6 | 37.8 | 58.9 | 104.3 | 156.4 | 216.1 | 284.3 | 362.2 | 450.6 |
| Cost increase | 0.0 | 0.0 | 22.1 | 46.7 | 74.0 | 134.2 | 201.8 | 274.7 | 353.4 | 438.5 | 530.3 |
| Crow Rate | 152.0 | 154.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 |
| Total (Gross) | 152.0 | 154.0 | 408.5 | 525.5 | 662.5 | 810.3 | 941.1 | 1085.8 | 1245.8 | 1422.8 | 1618.3 |
| | | | | | | | | | | | |
| Less Crow Benefit | 0.0 | 0.0 | 211.7 | 288.9 | 377.6 | 419.7 | 430.9 | 443.0 | 456.0 | 470.1 | 485.3 |
| Aq. adjustment | 0.0 | 0.0 | 78.9 | 69.1 | 56.1 | | | | | | |
| Total (Net) | 0.0 | 0.0 | 117.9 | 167.4 | 228.8 | 390.6 | 510.2 | 642.8 | 789.8 | 952.7 | 1133.0 |
| | | | | | | | | | | | |
| Rate/Tonne | | | | | | | | | | | |
| Gross | 4.89 | 4.89 | 12.72 | 16.12 | 19.95 | 23.56 | 26.37 | 29.38 | 32.58 | 36.00 | 39.66 |
| Net | 0.00 | 0.00 | 3.67 | 5.14 | 6.89 | 11.35 | 14.30 | 17.39 | 20.65 | 24.11 | 27.77 |
| | | | | | | | | | | | |
| Min. Price Level | 0.0 | 0.0 | 45.9 | 64.2 | 86.1 | 141.9 | 178.7 | 217.4 | 258.2 | 301.3 | 347.1 |

WESTERN TRANSPORTATION INITIATIVE
SAFETY-NET CALCULATIONS
APRIL 18/83
VOLUME CONSTANT AT 31.1M

(3)

| | 81/82 | 82/83 | 83/84 | 84/85 | 85/86 | 86/87 | 87/88 | 88/89 | 89/90 | 90/91 | 91/92 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Inflation (%) | | 9.3 | 8.0 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Phase in | 1.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | | | | | | | | | | |
| Volume related | 580.7 | 626.5 | 668.6 | 707.3 | 740.9 | 785.3 | 832.4 | 882.4 | 935.3 | 991.4 | 1050.9 |
| Contribution | 116.1 | 0.0 | 33.4 | 70.7 | 111.1 | 157.1 | 166.5 | 176.5 | 187.1 | 198.3 | 210.2 |
| Line related | 104.8 | 108.5 | 115.6 | 121.7 | 127.2 | 134.9 | 143.0 | 151.5 | 160.6 | 170.3 | 180.5 |
| Oil cars | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total cost | 803.6 | 737.0 | 819.6 | 901.7 | 981.2 | 1079.2 | 1143.9 | 1212.4 | 1285.0 | 1362.0 | 1443.6 |
| | | | | | | | | | | | |
| Base tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Prod Inflation | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Govt infl share | 0.0 | 9.3 | 5.0 | 4.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Base ton cost | 580.7 | 626.5 | 668.6 | 707.3 | 740.9 | 785.3 | 832.4 | 882.4 | 935.3 | 991.4 | 1050.9 |
| Base tonne contribution | 116.1 | 0.0 | 33.4 | 70.7 | 111.1 | 157.1 | 166.5 | 176.5 | 187.1 | 198.3 | 210.2 |
| Base tonne other | 106.8 | 110.5 | 117.6 | 123.7 | 129.2 | 136.9 | 145.0 | 153.5 | 162.6 | 172.3 | 182.5 |
| Base tonne total | 803.6 | 737.0 | 819.6 | 901.7 | 981.2 | 1079.2 | 1143.9 | 1212.4 | 1285.0 | 1362.0 | 1443.6 |
| | | | | | | | | | | | |
| Volume cost over base | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Cost Incr over base | | 49.5 | 51.5 | 48.8 | 44.4 | 61.5 | 65.2 | 69.1 | 73.3 | 77.7 | 82.3 |
| Producer Share | | | 22.1 | 24.6 | 27.0 | 58.9 | 64.8 | 68.6 | 72.7 | 77.1 | 81.7 |
| Accum. producer share | | | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| | | | | | | | | | | | |
| Base Gov't Pymt | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 |
| Spec Adj (82/83) | 0.0 | 8.1 | | | | | | | | | |
| Gov't share cost increase | | 49.5 | 78.9 | 103.1 | 120.5 | 123.1 | 123.5 | 124.0 | 124.5 | 125.1 | 125.7 |
| Gov't share of contrib. | 116.1 | 0.0 | 31.2 | 64.4 | 99.5 | 136.0 | 135.5 | 134.9 | 134.2 | 133.5 | 132.8 |
| Gov't Payments | 651.6 | 593.1 | 645.5 | 703.0 | 755.5 | 794.6 | 794.5 | 794.4 | 794.3 | 794.1 | 794.0 |
| | | | | | | | | | | | |
| Share to producers | 0.0 | 0.0 | 32.8 | 40.7 | 48.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Share to Railways | 0.0 | 100.0 | 67.2 | 59.3 | 51.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| | | | | | | | | | | | |
| Producers share (gross) | | | | | | | | | | | |
| crow benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Volume increase | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cost increase | 0.0 | 0.0 | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| Crow Rate | 152.0 | 154.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 |
| Total (Gross) | 152.0 | 154.0 | 385.9 | 484.8 | 592.2 | 682.0 | 746.7 | 815.2 | 887.9 | 965.0 | 1046.6 |
| | | | | | | | | | | | |
| Less Crow Benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Aq. adjustment | 0.0 | 0.0 | 78.9 | 69.1 | 56.1 | | | | | | |
| Total (Net) | 0.0 | 0.0 | 95.3 | 129.6 | 169.6 | 284.7 | 349.4 | 418.0 | 490.8 | 567.9 | 649.6 |
| | | | | | | | | | | | |
| Rate/Tonne | | | | | | | | | | | |
| Gross | 4.89 | 4.95 | 12.41 | 15.59 | 19.04 | 21.93 | 24.01 | 26.21 | 28.55 | 31.03 | 33.65 |
| Net | 0.00 | 0.00 | 3.06 | 4.17 | 5.45 | 9.15 | 11.24 | 13.44 | 15.78 | 18.26 | 20.89 |
| | | | | | | | | | | | |
| Min. Price Level | 0.0 | 0.0 | 38.3 | 52.1 | 68.2 | 114.4 | 140.4 | 168.0 | 197.3 | 228.3 | 261.1 |

WESTERN TRANSPORTATION INITIATIVE
SAFETY-NET CALCULATIONS
APRIL 18/83
INFLATIÓN AT 0%

(4)

| | 81/82 | 82/83 | 83/84 | 84/85 | 85'86 | 86/87 | 87/88 | 88/89 | 89/90 | 90/91 | 91/92 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tonnage | 31.1 | 31.5 | 32.1 | 32.6 | 33.2 | 34.4 | 35.7 | 37.0 | 38.2 | 39.5 | 40.8 |
| Inflation (%) | | 9.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Phase in | 1.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | | | | | | | | | | |
| Volume related | 580.7 | 634.5 | 647.9 | 658.0 | 668.1 | 692.2 | 718.0 | 743.8 | 769.5 | 795.3 | 821.0 |
| Contribution | 116.1 | 0.0 | 32.4 | 65.8 | 100.2 | 138.4 | 143.6 | 148.8 | 153.9 | 159.1 | 164.2 |
| Line related | 104.8 | 108.5 | 109.2 | 109.2 | 109.2 | 109.2 | 109.2 | 109.2 | 109.2 | 109.2 | 109.2 |
| Oil cars | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total cost | 803.6 | 745.0 | 791.5 | 835.0 | 879.5 | 941.9 | 972.8 | 1003.7 | 1034.6 | 1065.5 | 1096.4 |
| | | | | | | | | | | | |
| Base tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Prod Inflation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Govt Infl share | 0.0 | 9.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Base ton cost | 580.7 | 626.5 | 627.7 | 627.7 | 625.8 | 625.8 | 625.8 | 625.8 | 625.8 | 625.8 | 625.8 |
| Base tonne contribution | 116.1 | 0.0 | 31.4 | 62.8 | 93.9 | 125.2 | 125.2 | 125.2 | 125.2 | 125.2 | 125.2 |
| Base tonne other | 106.8 | 110.5 | 111.2 | 111.2 | 111.2 | 111.2 | 111.2 | 111.2 | 111.2 | 111.2 | 111.2 |
| Base tonne total | 803.6 | 737.0 | 770.3 | 801.7 | 830.9 | 862.2 | 862.2 | 862.2 | 862.2 | 862.2 | 862.2 |
| | | | | | | | | | | | |
| Volume cost over base | 0.0 | 8.1 | 21.2 | 33.3 | 48.6 | 79.7 | 110.6 | 141.5 | 172.4 | 203.3 | 234.2 |
| | | | | | | | | | | | |
| Cost Incr over base | | 49.5 | 2.0 | 0.0 | -2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Producer Share | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accum. producer share | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Base Gov't Pymt | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 |
| Spec Adj(82/83) | 0.0 | 8.1 | | | | | | | | | |
| Gov't share cost increase | | 49.5 | 51.5 | 51.5 | 49.3 | 49.3 | 49.3 | 49.3 | 49.3 | 49.3 | 49.3 |
| Gov't share of contrib. | 116.1 | 0.0 | 31.3 | 62.7 | 94.1 | 125.4 | 125.4 | 125.4 | 125.4 | 125.4 | 125.4 |
| Gov't Payments | 651.6 | 593.1 | 618.3 | 649.7 | 678.9 | 710.2 | 710.2 | 710.2 | 710.2 | 710.2 | 710.2 |
| | | | | | | | | | | | |
| Share to producers | 0.0 | 0.0 | 32.8 | 40.7 | 48.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Share to Railways | 0.0 | 100.0 | 67.2 | 59.3 | 51.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| | | | | | | | | | | | |
| Producers share (gross) | | | | | | | | | | | |
| crow benefit | 0.0 | 0.0 | 202.8 | 264.4 | 329.3 | 355.1 | 355.1 | 355.1 | 355.1 | 355.1 | 355.1 |
| Volume increase | 0.0 | 0.0 | 21.2 | 33.3 | 48.6 | 79.7 | 110.6 | 141.5 | 172.4 | 203.3 | 234.2 |
| Cost increase | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Crow Rate | 152.0 | 154.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 |
| Total (Gross) | 152.0 | 154.0 | 376.0 | 449.8 | 529.9 | 586.8 | 617.7 | 648.6 | 679.6 | 710.5 | 741.4 |
| | | | | | | | | | | | |
| Less Crow Benefit | 0.0 | 0.0 | 202.8 | 264.4 | 329.3 | 355.1 | 355.1 | 355.1 | 355.1 | 355.1 | 355.1 |
| Ag. adjustment | 0.0 | 0.0 | 78.9 | 69.1 | 56.1 | | | | | | |
| Total (Net) | 0.0 | 0.0 | 94.4 | 116.2 | 144.5 | 231.7 | 262.6 | 293.5 | 324.5 | 355.4 | 386.3 |
| | | | | | | | | | | | |
| Rate/Tonne | | | | | | | | | | | |
| Gross | 4.89 | 4.89 | 11.71 | 13.80 | 15.96 | 17.06 | 17.31 | 17.55 | 17.77 | 17.98 | 18.17 |
| Net | 0.00 | 0.00 | 2.94 | 3.57 | 4.35 | 6.74 | 7.36 | 7.98 | 8.48 | 8.99 | 9.47 |
| | | | | | | | | | | | |
| Min. Price Level | 0.0 | 0.0 | 36.8 | 44.6 | 54.4 | 84.2 | 92.0 | 99.3 | 106.1 | 112.4 | 118.3 |

WESTERN TRANSPORTATION INITIATIVE
SAFETY-NET CALCULATIONS
APRIL 18/83 (5)
VOLUME TO 45M

| | 81/82 | 82/83 | 83/84 | 84/85 | 85/86 | 86/87 | 87/88 | 88/89 | 89/90 | 90/91 | 91/92 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tonnage | 31.1 | 31.5 | 32.0 | 33.6 | 35.3 | 36.9 | 38.5 | 40.1 | 41.8 | 43.4 | 45.0 |
| Inflation (%) | | 9.3 | 8.0 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Phase in | 1.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| | | | | | | | | | | | |
| Volume related | 580.7 | 634.5 | 688.0 | 764.7 | 839.7 | 931.1 | 1030.5 | 1138.4 | 1255.6 | 1382.8 | 1520.6 |
| Contribution | 116.1 | 0.0 | 34.4 | 76.5 | 126.0 | 186.2 | 206.1 | 227.7 | 251.1 | 276.6 | 304.1 |
| Line related | 104.8 | 108.5 | 115.6 | 121.7 | 127.2 | 134.9 | 143.0 | 151.5 | 160.6 | 170.3 | 180.5 |
| Oil cars | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Total cost | 803.6 | 745.0 | 840.0 | 964.8 | 1094.9 | 1254.2 | 1381.6 | 1519.7 | 1669.4 | 1831.6 | 2007.2 |
| | | | | | | | | | | | |
| Base tonnage | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Prod Inflation | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Govt infl share | 0.0 | 9.3 | 5.0 | 4.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Base ton cost | 580.7 | 626.5 | 668.6 | 707.3 | 740.9 | 785.3 | 832.4 | 882.4 | 935.3 | 991.4 | 1050.9 |
| Base tonne contribution | 116.1 | 0.0 | 33.4 | 70.7 | 111.1 | 157.1 | 166.5 | 176.5 | 187.1 | 198.3 | 210.2 |
| Base tonne other | 106.8 | 110.5 | 117.6 | 123.7 | 129.2 | 136.9 | 145.0 | 153.5 | 162.6 | 172.3 | 182.5 |
| Base tonne total | 803.6 | 737.0 | 819.6 | 901.7 | 981.2 | 1079.2 | 1143.9 | 1212.4 | 1285.0 | 1362.0 | 1443.6 |
| | | | | | | | | | | | |
| Volume cost over base | 0.0 | 8.1 | 20.3 | 63.2 | 113.7 | 175.0 | 237.7 | 307.3 | 384.4 | 469.6 | 563.6 |
| | | | | | | | | | | | |
| Cost Incr over base | | 49.5 | 51.5 | 48.8 | 44.4 | 61.5 | 65.2 | 69.1 | 73.3 | 77.7 | 82.3 |
| Producer Share | | | 22.1 | 24.6 | 27.0 | 58.9 | 64.8 | 68.6 | 72.7 | 77.1 | 81.7 |
| Accum. producer share | | | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| | | | | | | | | | | | |
| Base Gov't Pymt | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 | 535.5 |
| Spec Adj(82/83) | 0.0 | 8.1 | | | | | | | | | |
| Gov't share cost increase | | 49.5 | 78.9 | 103.1 | 120.5 | 123.1 | 123.5 | 124.0 | 124.5 | 125.1 | 125.7 |
| Gov't share of contrib. | 116.1 | 0.0 | 31.2 | 64.4 | 99.5 | 136.0 | 135.5 | 134.9 | 134.2 | 133.5 | 132.8 |
| Gov't Payments | 651.6 | 593.1 | 645.5 | 703.0 | 755.5 | 794.6 | 794.5 | 794.4 | 794.3 | 794.1 | 794.0 |
| | | | | | | | | | | | |
| Share to producers | 0.0 | 0.0 | 32.8 | 40.7 | 48.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Share to Railways | 0.0 | 100.0 | 67.2 | 59.3 | 51.5 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| | | | | | | | | | | | |
| Producers share (gross) | | | | | | | | | | | |
| crow benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Volume increase | 0.0 | 0.0 | 20.3 | 63.2 | 113.7 | 175.0 | 237.7 | 307.3 | 384.4 | 469.6 | 563.6 |
| Cost increase | 0.0 | 0.0 | 22.1 | 46.7 | 73.7 | 132.6 | 197.4 | 266.0 | 338.8 | 415.9 | 497.6 |
| Crow Rate | 152.0 | 154.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 | 152.0 |
| Total (Gross) | 152.0 | 154.0 | 406.2 | 548.0 | 705.9 | 857.0 | 984.4 | 1122.5 | 1272.3 | 1434.5 | 1610.3 |
| | | | | | | | | | | | |
| Less Crow Benefit | 0.0 | 0.0 | 211.7 | 286.1 | 366.4 | 397.3 | 397.3 | 397.2 | 397.1 | 397.1 | 397.0 |
| Ag. adjustment | 0.0 | 0.0 | 78.9 | 69.1 | 56.1 | | | | | | |
| Total (Net) | 0.0 | 0.0 | 115.6 | 192.8 | 283.3 | 459.7 | 587.1 | 725.3 | 875.1 | 1037.5 | 1213.3 |
| | | | | | | | | | | | |
| Rate/Tonne | | | | | | | | | | | |
| Gross | 4.89 | 4.89 | 12.69 | 16.30 | 20.03 | 23.24 | 25.57 | 27.98 | 30.47 | 33.07 | 35.78 |
| Net | 0.00 | 0.00 | 3.61 | 5.73 | 8.04 | 12.47 | 15.25 | 18.08 | 20.96 | 23.92 | 26.96 |
| | | | | | | | | | | | |
| Min. Price Level | 0.0 | 0.0 | 45.2 | 71.7 | 100.5 | 155.8 | 190.6 | 226.0 | 262.0 | 299.0 | 337.0 |