



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

Members, Constituencies and Political Affiliation

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

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Thursday, 21 April, 1983

TIME — 7:00 p.m.

LOCATION — Brandon, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Plohman and Uruski

Messrs. Anstett, Blake, Carroll, Downey and Harapiak

WITNESSES: Mr. Dennis Heeney - Private Citizen

Mr. G. Jones presented a brief for Mr. Wayne Sotos of the National Farmers Union, Local 505

Mr. Bill Nicholson - Vice-Chairman, Shoal Lake Committee, Manitoba Pool Elevators

Mr. Ken Sigurdson - Manitoba Pool Elevators delegate

Messrs. Larry Maguire and Laurie Howe, Souris Valley Farm Business Association

Mr. Brad MacDonald - Canadian Wheat Board Advisory Committee, District 2

Mr. Tony Riley - Private Citizen

Mr. Allan Riley - Private Citizen

Mrs. Claris Nicholson - Private Citizen

Mr. Alex McWilliams - President of Turtle Mountain NDP

Mr. Ian Robson - Private Citizen

Mr. Henry Rempel - Private Citizen

BRIEFS SUBMITTED IN WRITTEN FORM ONLY:

Mr. John Mitchell - R.M. of Rosburn and Manitoba Pool Elevators (Rosburn Sub-District) Village of Rosburn

Mr. Emil Shellborn - Chairman, Erickson Pool Committee

MATTERS UNDER DISCUSSION:

Western Transportation Initiative Proposed by the Government of Canada

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MR. CHAIRMAN: The committee will come to order. We have a quorum, ladies and gentlemen. The next person on our list is Mr. Wayne Sotos, National Farmers Union, Local 505. Do you expect him to be returning?

Mr. Bill Nicholson, Shoal Lake Local Committee, Manitoba Pool Elevators. Mr. Nicholson.

Mr. Dennis Heeney. Mr. Heeney, please come forward. Please proceed, Mr. Heeney.

MR. D. HEENEY: I'm here on my own. I'm not representing anyone and I think I'd just like to make reference to the fact today that there have been several people including farm groups as well as politicians who have been presuming to speak for me. I want the committee to know that nobody speaks for me and that I think most farmers would agree that if the politicians and the other vested interests want to find out what the people want, then why don't they ask them with a referendum or some similar method. However, be that as it may, I'll take the opportunity to present some of the points that I feel are important to me as a Western Canadian grain producer.

I've heard today, again, conflicting representation as to how much money, in fact, is being lost. There appears to be conflicting views on how this money is accounted for by both the CN and the CPR and most of the emphasis has been on the losses incurred by the CPR. I understand that the CNR hauls approximately 45 percent of all the grain in Western Canada, so I would think that they should have been a little more in the limelight along with the CPR.

The Snavely Report suggested the loss figure of \$600 million which I believe was referred to in one of the Federal Government documents. Dr. Gilson suggested it was slightly less and the prairie Pools came up with an even lesser figure and I believe in this pamphlet here suggests \$300 million or \$350 million.

Now there are two newspaper articles which came from Canada Press and I wouldn't want to say how authentic they are, but they do refer to CN matters which indicate that during the period when Snavely and Gilson were compiling their reports, CN actually showed a profit. In 1981, this was reported to be 193.2 million. They also indicated a loss of 223 million in 1982 and I believe Mr. Campbell said that was \$350 million. So, there's conflict of actually how much they lost. The President of CN, Mr. Lawless, stated that CN had an operating loss of 35 million in one article, the other article confirmed that as a loss to CN Rail, 34.9 million. Yet, the same article goes on to claim a \$250 million loss from hauling grain. I would suggest that somebody should clarify these figures, so that we might be able to better judge exactly what is going on. Especially, I think Mr. Pepin as being Minister responsible for Western transportation and the CN should take steps to clarify these issues.

I also need to know how and why CN, which is a Crown corporation and whose original purpose was to transport people and commodities, now consists of

several subsidiaries in this country and in the United States and possibly others. Many of these subsidiaries are not directly related to transportation. So, I wonder where did they get the money to finance these non-related assets? And if they got it from profits, why were these profits not returned to the Federal Treasury instead of being invested in non-transport related ventures? And if they were financed from subsidies it's obvious that the Federal Government was irresponsible since the subsidies were not needed.

There have been claims that CPR have, through federal subsidies and large land grants, etc., which was alluded to today, been adequately compensated for any losses incurred in hauling grain. If there is any comparison between CN and CP types of operations, then it's quite possible that these claims could be justified, but the fact remains that the questions have never been answered. We've had several people making the claim that they have been adequately compensated and no one has said they have or haven't and I think it's time the public had an accounting of both organizations.

However, at the present time and under the present conditions, it may well be that both railroads are losing money, both on grain hauling and possibly on their total operations.

Appendix 2, there are figures compiled by Manitoba Pool and the Provincial Government which relate to production costs and other factors related to production of western grains, including oilseeds. The Pool figures for 1981, cost of wheat production of \$160 per acre; the Provincial Government figures for 1982 were \$171.35. They use the figure of \$42 and \$45 respectively for land investment costs, which I think in the current situation, could be far too low based on current interest rates and prices of land which vary from \$500 to \$1,500 per acre and interest rates of 12 to 15 percent.

The Wheat Board's Annual Report shows that Manitoba's 10-year average for wheat yield is 26.3 bushels and the prairie yield is 26.2. The Minister for the Canadian Wheat Board, Honourable Hazen Argue has indicated 1983 initial wheat prices will be 4.63 for No. 1 Red Spring basis Thunder Bay, so when you deduct the present freight rate of 16 cents per bushel or 13 cents, whatever the case may be - it says in here is the average freight cost under the Crow - then farmers in 1983 will be receiving \$4.47 per bushel basis No. 1 Red Spring.

If you take a 10-year average yield at 26.2 bushels per acre times the projected price for 1983 of \$4.40, shows a projected return of \$117.11 per acre or a net loss based on the figures I just mentioned of \$54.24 per acre. If this per-acre loss is multiplied by the 1982 Canadian acres supposedly seeded to wheat, out of the Wheat Board Report which is \$29 million, the yearly loss to Western Canadian farmers is projected to be \$1,571,960,000; these figures are based on No. 1 Red Spring and 1982 production costs. We'll have to consider that there are more No. 2 and No. 3 wheat produced than there is No. 1 and therefore the price would be less and the production costs for 1983 can be considerably more. We know for sure that fuel prices are going to be higher in 1983, so then these losses could be much higher.

We consider that every dollar of agricultural production is multiplied seven times when it's generated

into the total economy. It becomes very obvious what a tremendous negative impact these losses will have on the total Canadian economy. This may not be directly related to the transportation problem but there nevertheless are implications to the total system.

The obvious conclusion that is reached then, is that both the railroads and the farm community are losing money.

The Federal Government has conceded that the railroads should be compensated for their losses by increases in the present statutory freight rates for grain. They are not suggesting that farmers should also be compensated for their present and expected losses; instead, they are suggesting that farmers should pay a portion of any inflationary increase beyond 1983. Inflation is the fault of the Federal Government and, I believe, farmers are victims of inflation and not contributors to inflation, so inflation is beyond the control of both the railroads and the farmers, and then surely neither should be expected to pay for something which is not their fault, nor over which they have absolutely no control.

The federal and provincial deficits are higher now than they have ever been in our entire history, yet the Federal Government is suggesting that farmers pay even more freight costs on all production in excess of 31 million tonnes. Agriculture represents one of the few bright spots in our economic future, both from the previously mentioned spillover effects of the multiplication of the original dollar, and from new dollars generated by export sales. To attempt to stifle these sales is surely regressive thinking on the part of the Federal Government, and anyone else who thinks that way.

The Federal Government, Department of Transportation are presently circulating literature on their proposals and it indicates, or at least is interpreted to indicate, that if farmers pay higher freight rates now it will be in their long-term benefit. There's a little thing in the paper there where one of the people for the Public Relations is interpreting and suggesting that if we do pay higher rates now, it will be to our benefit in the long run.

The simple mathematical fact remains that if losses are presently being incurred by the farmer, then producing, shipping and selling more simply results in correspondingly larger losses. If you lose \$1 a bushel shipping 10 bushels, I think if you ship 1,000 bushels you're going to lose that much more, so it doesn't make any sense to say, if we could just sell the grain at a loss we'd be better off; it doesn't make any sense to me at any rate. Any suggestion, otherwise, is I think, untrue and the assumption that a rise in commodity prices may improve the present situation, is purely guesswork at this time. I think if you had it in the Budget that the Federal Government is gambling that the economy is going to improve, and get them off the hook, we'll be able to pay higher taxes and I don't think there's anything to substantiate that.

So I would like to recommend that in the short term there should be no increase in the freight costs being paid by farmers at this time, regardless of whether or not the present statutory Crow rate is changed, and I don't happen to be a member of the Farmers Union.

2. That the present costs apply to all cereals, and I believe it should include all oilseeds up to and beyond the proposed 31 million tonne ceiling proposed by the Federal Government.

3. The bureaucracy I think should be instructed to stick to presenting the facts and cease editorializing and distorting the truth. I think when you look at this document here, there's a lot of allegations that aren't necessarily true in that.

4. The Wheat Board should not sell to any country who cannot pay for the products they receive, and we should expect to be paid in either gold, real dollars, or in goods of equal value. We cannot continue to sell to foreign countries financed by loans from Canadian banks, and having these loans guaranteed by the Federal Government or the Canadian taxpayers. If they cannot pay we should either refuse to sell to them, or simply give them the grain, which would be cheaper in the long run than giving them grain and our money, too, which is what is going to happen if the countries can't, or won't, pay.

5. In the long term legislation should be amended to permit freer trade, less taxes and promote more genuine competition, at both corporate and labour levels. In this way the market could once again be allowed to function as it should and thus establish true values in all areas of our economy. However, that's not likely to happen.

6. If we fail to achieve the changes in No. 5, then both the railroads and the farmers should be adequately compensated by the public Treasury to a level that would permit both to be economically viable. Since both the Provincial and Federal Treasuries are virtually bankrupt, and further subsidies must be financed by additional borrowing and, in all likelihood, charged to and paid for by future generations. I feel that, as a society, we have no more right to defer our debts to succeeding generations, which obviously leaves us in a bit of a dilemma.

Since I just received this in the mail, after presenting this brief, I would like to make a few comments, if I may, Mr. Chairman, on these two documents that I received from the Federal Government at the taxpayers' expense.

"What's in it for the farmer?" It says on this one here. More diversification, obviously oilseed crushing and livestock. I think that is going to occur mainly because there's going to be an awful lot of cheap barley around. If the freight rates are 75 cents on \$1.67 barley I don't think we're going to be shipping too much to Thunder Bay, and for a short time we're going to have some pretty cheap barley for feedlots and then we won't have any at all, so we won't have either barley or livestock.

The crushing industry, I think the same thing applies, that we will produce the rapeseed for the crushers if the price is right and, if not, I guess we can't afford to.

We're going to have increased production because of all this change, it says. Well, I think nature dictates the kind of production we're going to have. Price incentive also helps to indicate whether or not we produce. If more production is desirable, and if it's profitable, then I think that the farmers will respond to the best of their ability.

We're going to have lower farm storage costs, it says. Well, I believe that no matter whether we had storage or not we cannot physically move all our production in a short period of time. We have to store some of it and most of the farmers at the present time, I believe,

have enough storage to take care of about one crop and it's paid for, so I don't think that's a valid argument at all.

It says why the Crow has to change. In 1897 the Crow rate was 13 cents. It paid the full cost of transportation, but in 1982 13 cents covers only 18 percent of the real cost as a result of inflation. So the key here seems to be that inflation is the problem. Why did freight rates go from 13 cents, and wheat was 70 cents a bushel in 1897 and it's now been up to \$6 and back down to \$4.50, but the cost of production, including freight rates, has continued to rise and has never gone down. Again, inflation, I believe, is strictly the responsibility of the Federal Government, so I think, therefore, the additional costs for moving grain has to be their responsibility.

"The railroads must increase their capacity," it's stating here and that they will under this. I believe all the indications in here is that this is the biggest make-work project we've ever seen in our history since probably the first railroad we built, because there's going to be tremendous spinoffs for all the people in Canada and they're all going to be building railroads, that's what it says in here, and all of these other things may come after. I believe if you have a dollar generated out of production, then it will multiply seven times, but if you don't have that dollar, what are you building a railroad for? So I think they're getting the cart before the horse.

I think they could also move an awful lot more grain today if they had co-operation from labour, or if they took the bull by the horns and said to labour that you have to contribute to the national economy by getting to work; you can't go on strike and stop us losing these billions of dollars of sales which we apparently were losing.

"What's in it for Manitoba?" Well, it looks to me like Winnipeg is going to benefit mostly because of all the railroad activity that's going to go on there. I can't see that we should be really concerned about what happens exactly to Manitoba - we're talking about western grain production and the future of Western Canada - and if Western Canada agriculture is healthy I don't think we need to worry too much about the whole national economy. I believe, again, that inflation is the key and that would be the responsibility of the Federal Government. That is why I don't believe, at this time, that farmers should be expected to pay any more of an increase, regardless of what the new statutory rate may be.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Heeney. Are there any questions for Mr. Heeney from members of the committee?

Mr. Uruski.

HON. B. URUSKI: Thank you. Mr. Heeney, in your presentation you've indicated that you believe that farmers should not, and cannot, pay anymore, that there should be no increase in freight costs to be borne by the farmer.

You also indicated in your remarks here toward the end, you indicated that there may be some benefits to Manitoba from these changes. Could you tell us,

from your analysis, where you saw some benefits to Manitoba from this initiative?

MR. D. HEENEY: I wasn't suggesting that I didn't believe there was too many benefits for Manitoba. I was simply referring to the Federal Government's document which said that, in their opinion, there would be a great many benefits for Manitoba. In my opinion, I didn't think that they would be much benefit to agriculture, but a good deal of benefit to the railroads and those people employed by railroads.

HON. B. URUSKI: You're not opposed to the upgrading of the railway system as has been envisaged in the Pepin proposal?

MR. D. HEENEY: No.

HON. B. URUSKI: How should that upgrading take place and who should pay for that upgrading?

MR. D. HEENEY: Well, I believe, Mr. Minister, that if we had a competitive system, and that includes exporting and world markets and competition between railroads and competition of labour, I think we would see a lot lower prices and a lot lower costs. I would agree that the Crow rate by being fixed for so long has gotten behind the times and needs to be upgraded. I just am saying that on the basis of what has happened to farm prices, I don't believe the farmers can pay at this time.

So I would think that shortfall should come from the Federal Treasury, from the country, from the citizens of all of the country to pay for the railroads. I think then over the longer term, by better competition amongst labour and amongst other groups, that the railroads then could haul competitively and they could charge more and we could pay more if the price was there. It may include subsidization. Lord knows, there's enough subsidization now and I don't suppose anybody knows how much, but I would prefer to see that over a long term the railroads could charge enough to replace their capital assets and make a profit, and then we could also pay it and also make a profit. Now that's a long term. In the short term, I think it has to come from the Federal Treasury. They're responsible for what goes on in this country and I think they have to pick it up at this time.

HON. B. URUSKI: Is it an unreasonable proposition that if the people of this country put up the money to put into place the capital infrastructure that railways need - not their operating, but the capital infrastructure - that they should be guaranteed a return on that investment?

MR. D. HEENEY: Well, I think for the short term I would say, no, it's not, because for whatever reason, the railroads obviously are losing money and have gotten behind. Whether or not it's been legitimate, whether their money has been filed out, or whether it's just because of the cost price freeze, I wouldn't like to say. I haven't had availability of the facts to me, but I would think that the Federal Treasury should pay the cost and, therefore, the railroads should not expect any

return on investment until such time as they can get things squared around to when it is paying again and then they should expect to be able to charge enough to make a return on their investment. How long that takes or how the mechanism's going to be, I wouldn't like to say.

HON. B. URUSKI: As you started out in your brief, you were confused by the railway's figures. If the railways, on their total operations, are shown to be making money on their operations, making a profit by their standards, is it reasonable for them to say that now we need as much profit on all sectors of our operation, even though we're making a profit on our total operation? Is that a reasonable proposition?

MR. D. HEENEY: I don't think it is reasonable to expect that you should get a profit on all parts of your operation all of the time. I think that certainly they should expect overall to have a profit, but they have diversified to probably a greater extent than maybe they should have as a Crown corporation, and it seems strange to me that they have assets in the United States which they can use to write off or charge as a loss against something in Canada, which has nothing to do with hauling grain. That to me doesn't make sense in this particular argument. But the CPR, for instance, is a private corporation and if they do it as a private corporation, they're entitled, and competition between the two should indicate that they'll be able to charge whatever they need to make a profit. Sometimes they're going to have to lower the rates as our prices go down and as our prices go up, we can maybe charge more. So it seems to me the competition would dictate when they make a profit and when they have to take a loss.

HON. B. URUSKI: But, truly, is there competition?

MR. D. HEENEY: I think competition is something that we - if we ever had it, I don't know when, but it's been many many years since we've had genuine competition anywhere.

HON. B. URUSKI: If the railways over the last 60 years have shown an overall profit on their operations, on their books, and of that 60 years they may have had losses on their grain operation for maybe a decade, accepting their figures, is it now reasonable for them to say that because we are losing money on grain and grain becoming less and less of the amount of load hauled, that we have to be totally compensated for hauling grain, even though we did quite well for, say, 50 of the last 60 years?

MR. D. HEENEY: Well, in fact there is competition, then that should have taken care of itself, but I would have to think obviously there isn't competition and, of course, there couldn't be competition with the statutory rate. So who knows what it should be? That's what confuses me when I read this annual report of CNR. I don't really know what they're losing because apparently in 1981 they made a profit, and in 1982 they had a loss, and yet, the loss figures don't jive. If there was - I believe Mr. Snavely said - a \$600 million loss in 1981, when he did his report, it must have all

been CPR, because CN made a profit. So who knows what's going on, and I think that we have a right to know and it's hard to make a judgment when we don't have the figures available to know exactly whether they're losing money or not, but I think that they should be obviously. Everybody seems to need more money as prices go up but we would like to have more too. Unfortunately, we don't seem able to get it.

HON. B. URUSKI: Just one more question. Do you find it unusual that the CPR has basically stood aside from this whole debate and has allowed the executives of the CNR to carry the debate in these changes?

MR. D. HEENEY: I thought it was the other way around.

HON. B. URUSKI: At all public meetings that I have been at, I have yet to see the CPR participate in the debate, but I have always seen, as we have seen today, executives of the CNR at those meetings.

MR. D. HEENEY: I would find that rather strange because all of the references in the media and all of the literature we have read and all the studies we have done have completely omitted the CNR, and yet, obviously, they're hauling almost half of the grain. So I wonder what they've been doing, or whether they've been doing badly or well. I think that should be disclosed at this time completely to the public and I would hope that it would be done in such a case. Then we could make a legitimate and valued kind of a judgment, but at the present time I don't see how we can really judge. I can just judge from my position and I'm saying that from a farmer's position, I don't think we can afford to and I don't believe that realistically we should be expected to pay.

I just read the other day that the DEC is subsidizing in France, or subsidizing barley prices to the tune of \$108 while the market value of the commodity is \$100 a tonne and we don't get any subsidy of that nature so therefore it puts us in the awkward position of having to pay these increased costs without any subsidization. I don't like subsidies but I don't know what else we're going to do.

MR. CHAIRMAN: Further questions.
Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, through you to Mr. Heeneey.

Page 3, you refer to No. 1, that in the short term there should be no increase in the freight costs by farmers. Would you subscribe to some of the principle of the idea that the changes in freight rates therefore to come about in the longer term should in some way be tied to the return that the farmers get for their grains such as was suggested earlier the safety net concept? Do you subscribe to that principle?

MR. D. HEENEY: What I heard today it sounds interesting but I without, you know, it was very detailed and I couldn't really comment. I'm a little concerned about that kind of an approach. I think in principle it may be alright but I'm afraid it would get tied into something that we could never get out of and it might

work to our disadvantage. I would prefer to see a more competitive system which would find out what the value was, which does fluctuate from time to time instead of always going up. But I would see some merit in that, certainly I would think it would be better than what the government is suggesting that after two years we pay all inflationary costs. I just can't accept that under any circumstances.

MR. J. DOWNEY: Coming from some areas, Mr. Heeneey, there's certain feeling in society that if the government were to own, through a Crown corporation, or through shares owned by government, that if that were to come about that all at once the cost of operating of the railroad would disappear. That it would automatically just be less of a problem on society. What, in Federal or Provincial Governments today, has given you the assurance that they can manage business, or the affairs of your money better than the private sector can do? In view of the deficits we have federally and provincially just to further.

MR. D. HEENEY: Well, are you referring to a possible nationalization of the railroad?

MR. D. ORCHARD: That's right. What would make you feel more comfortable if the government were to operate it the way they operate the rest of the country. That it was going to make money, or provide service like the Post Office or that type of thing? What would make you feel comfortable about that? Is there anything?

MR. D. HEENEY: Well, I think I could be reasonably comfortable with nationalization perhaps with the road-bed similar to the airports, and the highways.

The rolling stock I think should be competitive and anybody should be able to haul on those road-beds and then we could have some competition and I believe that the, yes, I could accept that kind of a thing.

But at the present time I can't trust either, because of the CPR's massive conglomerate I don't know where there money goes, and they have so many subsidiaries. But obviously CN does too, so why should I trust the government anymore than, but I don't trust either. Yet I think why not if we're going to nationalize the road-bed, or have a Crown corporation for transportation then it should only be for transportation. They should have no subsidiaries because obviously that had to be taxpayers money that went into the CN tower, and the hotels, and the grand trunk and I don't see what business they had doing that.

MR. CHAIRMAN: Further questions for Mr. Heeneey.
Seeing none.

Mr. Henney, on behalf of the committee thank you very much for appearing here today.

Before we proceed any further I would like to advise the committee of the unavoidable absence of two of our members this evening.

The Honourable Sam Uskiw, Minister of Highways. And Mr. Don Orchard, The Member for Pembina.

The Estimates of the Department of Highways are presently before the House.

Oh, and also Mr. Manness for Morriss.

The Estimates of the Department of Highways are currently before the Legislative Assembly and they came up after these meetings were scheduled.

Mr. Uskiw being the Minister responsible for the Highways Estimates had to return to the House for the 8:00 p.m. sitting tonight.

Mr. Orchard is the opposition critic, and Mr. Manness assists him as opposition critic in the House. So the two of them are both occupied with those Estimates.

So we're missing three members tonight. The rest of us will try and fill in their shoes and make sure we fire just as many questions at you in their absence.

I'm going to return back to the two names we skipped on the list earlier just in case those people are here now.

Mr. Wayne Sotos.

Please come forward then. Would you state your name for the record please.

MR. G. JONES: Goldwin Jones from Tilson, Manitoba.

MR. CHAIRMAN: Mr. Jones, are you a member of Local 505, of District 6, of the NFU?

MR. G. JONES: No, I am on the National Board, of The National Farmers Union for Region 5.

MR. CHAIRMAN: Please proceed.

MR. G. JONES: Thank you, Mr. Chairman, Mr. Sotos, who is the President of Local 505, had to go home. He asked me to present this brief because of the high level of concern in that area over the possibility of the loss of their branch line if this proposal goes through.

We as local 505, of District 6, of the NFU voice concern on the Federal Government's proposal to implement a change in the Crow Rate. The farmers that deliver grain to the Neepawa-Rosburn branch-line are concerned that if the Crow Statute is removed, existence of this line is short-lived.

Variable rates will encourage movement of grain from this line to the neighboring CP line. Volume will be reduced giving the railway a reason for closing the Rosburn subdivision.

The effects of this will be:

1. increased trucking requiring higher road-maintenance, resulting in higher taxes.
2. increase costs to farmers namely: bigger trucks, and longer hauls.
3. loss to local businesses.
4. an increase in local unemployment
5. less efficient use of energy
6. a decrease in grain production.

We are not denying the need for an adequate up-to-date rail system for transportation of grain, but we simply cannot afford the Federal Government's proposal.

In the last decade, production costs have risen 135 percent while in the same period grain prices have only risen 13 percent. We as farmers have no control over either. The Crow rate is our only guarantee in our cost of production.

By the year 1990, freight rates will be six times the Crow according to Mr. Pepin's proposal. Do farmers have any guarantee that grain prices will rise accordingly to cover the extra cost?

We as farmers cannot afford to lose the Crow.

We stongly request the Government of Manitoba to pay concern to the financial impact of the Crow changes to the farming community across Manitoba.

Furthermore, that the Provincial Government of Manitoba put pressure on the Federal Government to a complete audit of all CP holdings to give a true picture of all net-worth.

We urge an increase in the provincial fuel tax on CN and CP trucks and eliminate the fuel tax on locomotives, also to produce maps of all lands in Manitoba, Saskatchewan, and Alberta, known to have been given to the CPR between 1881 and 1905 and to make these maps available to the public.

The Manitoba Government should pressure the Federal Government to amalgamate CN and CP Rail and run it as a public utility, since they are already being heavily subsidized with public money.

The Pepin proposal clearly will be very detrimental to Canada, so it is essential that everyone fights to maintain the Crow.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Jones. Are you prepared to answer questions on behalf of Local 505 of District 6?

MR. G. JONES: Yes, I will do my best.

MR. CHAIRMAN: Are there any questions for Mr. Jones? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Chairman, through you to Mr. Jones, the third paragraph on Page 2, "We urge an increase in the provincial fuel tax on CN and CP trucks." I misunderstood the sentence. I've straightened it out in my own mind now. I have no question now.

MR. CHAIRMAN: Further questions? Mr. Blake.

MR. D. BLAKE: Yes, just in the final paragraph, Mr. Jones, you indicate the Manitoba Government should pressure the Federal Government to amalgamate the CN and CP lines and run as a public utility, which I assume, is taking over the CP Rail. I'm sure the CP would be very glad to get rid of their rail operation if they could maintain their other holdings. So what benefit would you see in taking over the CP lines? Were you thinking along the lines of Mr. Heeney's presentation of maybe nationalizing rail beds?

MR. G. JONES: No, I think our position on that is that the system would be a lot more efficient if the two rail systems were operated as one system, for the benefit of the people of Canada. We feel that transportation is such a vital issue in this country, due to our geography, etc., that we cannot allow transportation to remain in the hands of a sector that believes in profit only, and profit at any cost, even if it means abandoning branch lines, you know, that sort of thing.

MR. CHAIRMAN: Further questions from Members of the Committee? Mr. Plohman.

HON. J. PLOHMAN: Yes, just briefly, Mr. Chairman, you have given some suggestions as to action that you feel, I guess, the province should take, on Page 2, the one about maps and fuel tax and so on. Do you feel that this is being advocated by yourselves as a public

relations campaign, to make the public more aware of what the CPR got in the first place, the matter of maps? Is that the purpose of this?

MR. G. JONES: That is correct. There's a lot of misunderstanding amongst the public on just what was given and what the arrangements were.

HON. J. PLOHMAN: Is this being suggested to all of the Provincial Governments involved? Then, of course, you wouldn't expect the Manitoba Government to be doing this for Saskatchewan and Alberta.

MR. G. JONES: If I misunderstand you, Mr. Plohman . . .

HON. J. PLOHMAN: Yes, are you asking for this to be done by the province, I would assume, or are you asking the Federal Government to do this? I don't know whether you'll get their co-operation. But I'm trying to get this clear as to who you want to do this and certainly in which provinces, which holdings you would like to see dealt with in these maps.

MR. G. JONES: I think our position is that the Government of Manitoba produce the maps that show all the lands given in Western Canada, because I have seen the maps and for rail lines that were built in my area in southwestern Manitoba, which have now been abandoned, the CPR received a vast tract of coal-bearing lands in Southern Alberta, as well as a lot of farmland that is now under irrigation, as well as land on both sides of the right-of-way.

HON. J. PLOHMAN: Mr. Chairman, what you're suggesting is that these maps would be an outline of all of the benefits given to the CPR originally or both railways with regard to the original decisions that were made, and the deal that was made at the time the railways were extended through to B.C.

MR. G. JONES: Yes.

HON. J. PLOHMAN: Thank you.

MR. CHAIRMAN: Further questions by members of the committee? Seeing none, Mr. Jones, thank you very much for appearing here this evening on behalf of Mr. Sotos.

MR. G. JONES: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Bill Nicholson, on behalf of the Shoal Lake Local Committee and Manitoba Pool Elevators.

MR. B. NICHOLSON: My apologies to the committee, first of all, for not appearing when originally called.

I am the Vice-Chairman of the Shoal Lake Local Committee of Manitoba Pool Elevators. I am making this presentation because our committee feels that our views are not adequately represented by Manitoba Pool Elevators and certainly not represented by the Manitoba Farm Bureau.

The position of the Shoal Lake Local Committee of Manitoba Pool Elevators is one of support for the Crow rate as it presently stands. We are totally opposed to the Western Transportation Initiative, Mr. Pepin's plan to scrap the Crow rate. This proposed legislation would inflict tremendous financial losses on farmers in rural communities and eventually destroy the political and social make-up of the world economy.

The only guarantee that farmers have received from this plan is that their freight costs will immediately and continually increase. Using the Federal Government's own projections, farmers will pay six times Crow by 1990. Billions of dollars will be transferred from producers to the railways and neither farmers nor your rural communities can afford these costs. Manitoba Pool calculations indicate that a delivery point with 207 permit holders will lose an additional \$9.2 million in 10 years if the Pepin plan was implemented; 207 permit holders is approximately the size of our delivery point at Shoal Lake.

MR. CHAIRMAN: Could you speak up just a little, Mr. Nicholson. I think people are having trouble hearing further back in the hall.

MR. B. NICHOLSON: The government's insistence on paying the Crow benefit to producers allows this payment to be easily discontinued, leaving farmers with an even greater share of freight costs. It is evident that the government intends to phase out the Crow benefit, since the draft legislation states that new farmers and new land will not qualify for the benefit.

Another disastrous provision of the Pepin plan is the allowance of incentive or variable rates. Variable rates would permit the railways to determine the configuration of the western rail network, guided only by their own greed. It is very likely that this would bring about the collapse to the prairie grain handling co-operatives since variable rates can only result in wholesale abandonment of rail lines and elevators. Other effects are increased trucking and on-farm storage costs as well as deterioration of roads in rural communities.

It has been predicted by many prominent Canadians that if the Federal Government succeeds in dismantling the Crow rate, the next victim will be the Canadian Wheat Board. The erosion of Wheat Board authority has already begun with the creation of the Grain Transportation Authority and would be further weakened by the Pepin plan. The proposed legislation allows the whims of the Transport Minister to override the Wheat Board Canadian Grain Commission and The Canada Grain Act. The Wheat Board and the Canadian Grain Commission have done an outstanding job of selling prairie grain and maintaining Canada's reputation for high quality grains. We cannot allow their role to be diminished.

The Federal Government claims of massive diversification into special crops and livestock are ridiculous, as is their assurance of the booming food processing industry in the west. Markets for special crops are small and any significant production increase will result in hopeless oversupplies and depressed prices. A similar situation exists in the livestock sector.

Since Mr. Pepin has assured us all that the gains will not be made at the expense of eastern livestock

producers and large increases in exports to the U.S. will not be permitted, one must ask where these massive increases in livestock production will be absorbed. In any event, the attempt to build up the livestock industry on the backs of grain producers by depressing feed grain prices, already below the cost of production, cannot result in a stable and successful livestock industry in the long term. Claims of increased agricultural processing in Western Canada are equally improbable. Note that some 55 grains and grain products travel on the Crow rate, including flour, but the western flour industry has deteriorated until it is nearly non-existent despite the freight rate advantage. It should also be noted that for many years, the Crow rate was fully compensatory and comparable to commercial rates. A western agricultural processing industry did not develop under these conditions and there is no reason to expect that this would occur in the future.

The guarantees given to the railways in the Pepin plan are astounding, even considering their colourful history of corporate welfare. The railways are promised a 20.5 percent return on farmers' and taxpayers' investment and on deferred maintenance, which is money that no one has spent, while farmers are stripped to the statutory protection of the Crow rate. In an extra gesture of kindness towards the railways, the government will not require them to give performance guarantees until 1986, and the maximum penalties chargeable are insignificant compared to the amounts of money involved. It is our opinion that meaningful performance guarantees would never be enforced. The plan is so one-sided that the National Farmers Union has aptly described the Pepin plan as the greatest attempted swindle of farmers ever undertaken in Canada.

It is our position that the required improvements to the rail system can be made with the Crow rate in place. The Crow statute is an important cornerstone of the political foundation of this country and a historic right of western farmers. It was needed to overcome the geographical disadvantages of exporting grain from the prairies and to provide protection from the monopoly power of the railroads for farmers who had no control over the price of their product. The reasons for the existence of the Crow rate are as valid today as they were in 1897.

We believe the consensus in the west is in favour of retaining the Crow rate. In order to convince federal politicians of this, our local committee has initiated a postcard campaign to the Prime Minister and to our member of Parliament, Charles Mayer. We will also circulate a petition in our local area and copies will be forwarded to all three federal political parties. The petition has been endorsed by the Shoal Lake Village and Rural Municipal Councils and by the National Farmers Union, Local 525, as well as our Pool local.

We are pleased with the resolution opposing the Pepin plan, which passed unanimously in the Legislature, and we urge the Provincial Government and all MLAs to continue to actively oppose the plan to destroy the Crow rate.

On behalf of the Shoal Lake Local Committee, I thank you for the opportunity to present our views to this hearing.

MR. CHAIRMAN: Thank you very much for your presentation, Mr. Nicholson. Are there any questions by members of the committee?

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: I have just one question. It's in reference to your fear that the Crow benefit may cease to exist after a short period of time. You had stated that - I'll quote the sentence: "It's evident that the government intends to phase out the Crow benefit since the draft legislation states that new farmers and new land will not qualify for the benefit."

I think you have probably been the first person to raise this and I'm wondering what your source of information was.

MR. B. NICHOLSON: My source of information for that quote was the Manitoba Pool Elevators at a meeting in Oakburn, Manitoba, several weeks ago now. Mr. Strath gave out that information, and if I have interpreted it correctly that is what he said.

MR. CHAIRMAN: Further questions?

Mr. Blake.

MR. D. BLAKE: Yes, I just have one question for Mr. Nicholson. If you have a fixed rate for carrying or transporting a bushel of grain, what do you think will happen to the handling charges over the next, say, by 1990, your grain handling charges in your elevator, in view of what's happened in the past 10 years?

MR. B. NICHOLSON: I would be the first to agree with Mr. Blake that elevator handling charges are scandalous, but I see no relationship to the Crow rate. Just because we're paying too much for elevator handling charges is no justification to offer to pay more for freight.

MR. D. BLAKE: If those rates are getting out of hand as much as you say, it's pretty obvious that the transportation costs of a bushel of grain must be getting out of hand also. Is there no way that those handling charges can be - they are within your own control and your own local. I realize the transportation charges are not within your control, but if those handling charges, and they have gone up astoundingly in the last 10 years, have gone up like that, you must relate that to the costs that the other people are faced with in transporting their product?

MR. B. NICHOLSON: First of all, at the local level we have absolutely no control over handling charges and while inflation has had effects on the handling charges, I would point out that if we had the same benefit of this Crow rate with respect to handling charges, then they too would be fixed and it would be in our favour certainly. I would simply point out that it is in the national interest of this country to export grain; it is in the national interest to see that that grain gets to port; it's in the national interest to see that farmers can afford to grow and move grain.

MR. D. BLAKE: In having the assurance that your grain would be transported at a fixed rate, would you be prepared to support some legislation that would prevent labour disruptions that have cost millions and millions of dollars over the years to the farm economy by grain tie ups at the west coast or shipping ports?

MR. CHAIRMAN: A point of order. Mr. Blake, as you know, the subject of the resolution was the Western Transportation Initiative, and although some members had wanted the subject of labour management relations to be part of the subject of our hearings, an amendment to that effect was defeated by the Legislature and we have no mandate to inquire into those matters.

Do you have another question for Mr. Nicholson?

MR. D. BLAKE: Mr. Chairman, my reason for asking it was because it ties directly into the transportation of grain which Mr. Nicholson and I were discussing.

MR. CHAIRMAN: Mr. Blake, I'm sure you are familiar with the arguments you made in the Legislature trying to make that connection, and a majority of the members of the Legislature weren't in agreement with you, so I'm bound by their decision, whether I like it or not, that's the direction I have to give you.

MR. D. BLAKE: Before I ask Mr. Nicholson my next question, then I'll point out to him that the amendment that we brought in the House was voted down. Mr. Nicholson, I don't think anyone wants to see grain tied up for any reason, and if there's some way that they can have it flow more freely I'm sure would be to the benefit of all western Canadian farmers. You mentioned you had no control over the handling costs at the local level of your elevator, where would the control for handling costs be then, at the terminals?

MR. B. NICHOLSON: It is my understanding that handling charges are established by head offices of grain companies according to limitations established by the Federal Government.

MR. CHAIRMAN: Mr. Uruski.

HON. B. URUSKI: Mr. Chairman, to Mr. Nicholson, following up on the questions that were raised about handling charges. Would it not be possible if the grain companies, including Manitoba Pool, decided not to show a healthy return to farmers in dividend payments? Could they not keep their handling charges basically at cost and keep them as low as to break even on their actual costs but thus maybe preventing some of the dividend payments, that would be a possibility would it not?

MR. B. NICHOLSON: I suspect that may be the case. I wouldn't want to make a guess at any figures.

MR. CHAIRMAN: Mr. Uruski. Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, you indicated that this is from your local pool organization. Basically, how did you differ with what was initially the policy of the Manitoba Pool Elevators organization? What were the main differences?

MR. B. NICHOLSON: The Manitoba Pool Elevators according to their policy established at recent annual meetings agreed to negotiate the Crow rate. The position of our local is that we would not negotiate the Crow rate.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Yes, Mr. Chairman, I think one of the serious statements that I'm concerned about, one of the things that you said and it was just mentioned by Mr. Bucklaschuk earlier is the statement about the fact that new farmers or new land will not qualify for the benefit. Are you interpreting this to mean that if anyone is to break new land that any grain produced on that land the person would have to pay the full cost of transportation. Is that your interpretation?

MR. B. NICHOLSON: That is my understanding, yes.

HON. J. PLOHMAN: And you have no further evidence to that? I'm very alarmed at hearing that and I feel it's a very important point and I just wanted to know whether you had any further information on it at this time.

MR. B. NICHOLSON: I can only suggest that contact with officers in Manitoba Pool Elevators might give you more specific answers.

HON. J. PLOHMAN: Yes, Mr. Chairman, just on one other point. You made a very strong statement which I agree with that you feel the proposed legislation would inflict tremendous financial losses on farmers in rural communities and you said it will destroy the political and social makeup of the rural economy. That is rather a strong statement. I wonder whether you could elaborate on that in terms of your own situation, in terms of what you see happening at the Shoal Lake area.

MR. H. NICHOLSON: Well, I think it's quite obvious that taking the kind of amounts of money out of the community that I mentioned, \$9.2 million over 10 years, has to have very serious effects. I think it's common knowledge that any time farmers are short of money everyone is short of money and no doubt, farmers will be immediately and seriously affected by higher freight costs and local businesses will be right behind them in feeling the pinch. Eventually it can lead to the death of entire communities. I certainly don't want to see that happen. Our agricultural economy would be made up of huge empty spaces of land where there was nothing but grain growing or perhaps nothing at all.

HON. J. PLOHMAN: Just one other question with regard to that. The 207 permit holders that you referred to in the \$9.2 million, are you referring to delivery point at Shoal Lake? Is that what you're referring to in that amount of money and permit holders?

MR. B. NICHOLSON: These are Manitoba Pool figures, they did not give the name of the delivery point. I'm sure they must have known the name to establish these figures but I do not have the name of the delivery point. I'm guessing it is roughly the size of our delivery point, a town with about 1,000 people.

MR. J. DOWNEY: Given the fact that if the Crow rate were to be changed such as was suggested by the Member for Dauphin, that if the Crow rate were to be

changed then new grain produced or new land broke for grain production would not, in fact, qualify for a Crow subsidy or be involved in the new proposal. How does that figure with the following statement that you just made, that if the Crow rate were imposed or put in place that, in fact, it would open up or put out of business many farmers and that you'd have large acreages of land that are currently producing grain would, in fact, lay barren and the towns would die or disappear? There's something in that. Would you not agree that it's somewhat contradictory that there wouldn't be any need for new land broken if, in fact, the Crow rate were changed?

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

MR. B. NICHOLSON: I'm not sure I completely understand your question.

MR. CHAIRMAN: Try again, Mr. Downey.

MR. J. DOWNEY: Well, basically what I was following on was the Member for Dauphin where he indicated if this Crow rate was implemented that any new land broke or brought into production which followed on the fact that that grain would have to be marketed someplace, that it wouldn't qualify for a Crow subsidy or wouldn't be a part of the package. Subsequent to that your answer suggested that if the Crow rate as well was implemented that it would leave several thousands of acres - I'm not sure of that - of land barren or unused because the fact the farmers wouldn't be able to produce and make money on it because of higher transportation rates. Would you not agree that that's somewhat conflicting?

MR. B. NICHOLSON: I don't think he completely understood my reply.

MR. J. DOWNEY: Well, that's why I'm asking again.

MR. B. NICHOLSON: I guess what I am referring to is if the Crow rate was lost, certainly some farmers would survive and those who are not carrying any debts could effectively take over from the ones who are forced out of business. The number of farms would be greatly reduced and I've heard the word "corporate farms" and that's certainly what they would be. While these may be wonderful large operations they don't contribute too much to their neighbouring communities. These rural communities would suffer, there's no question about it.

MR. J. DOWNEY: What would allow large corporate farms to be able to borrow money, pay interest and move grain at higher rates that wouldn't allow other farmers to do it? What would give them the ability to do it?

MR. B. NICHOLSON: Well, depending on the base that they are working from. In my own operation I can go and buy a new piece of equipment by subsidizing its purchase by not letting my wife have a new sofa or something like that. What can I say other than it can be done.

MR. CHAIRMAN: Further questions for Mr. Nicholson? Seeing none, Mr. Nicholson, thank you very much for making your presentation.

The next person on our list is Mr. Ken Sigurdson. Mr. Sigurdson, please.

Mr. Sigurdson, before you begin, I don't mean to tell everybody to leave the room by saying this, but there is coffee in the room next door if anyone would like to get a coffee while we're . . . Well there may be some dispute as to whether or not it's coffee, but I can vouch for the fact that it's warm and wet.

MR. K. SIGURDSON: Thanks, Mr. Chairman. First of all I welcome the opportunity to meet with the committee and express my views pertaining to the Pepin proposal on the statutory rate and I am making this presentation as a Manitoba Pool Elevators delegate. I'm also the past District 7 Director of the National Farmers Union.

I'm probably not going to be able to tell this committee anything that they don't already know and I feel the decisions that the committee will be making should be an easy one. There is only two sides, one is Pepin and the railways and the other is the farmers, and I think in that scenario the decision should not be a hard one.

In 1982 the National Farmers Union in District 7, and that's roughly District 7 of Manitoba Pool Elevators, we met with many pools, pool committees, co-ops, rural municipalities, etc., and we encouraged them to pass resolutions. Among those resolutions were four resolutions from sub-districts of Manitoba Pool, four out of the five sub-districts in District 7, and these represent delivery points at The Pas, Bowsman, Swan River, Benito, Durban, Kenville, Minitonas, Roblin, Gilbert Plains, Grandview and Ethelbert and I understand that Fork River, in the other sub-district, also passed a resolution.

Sub-District 703, of Manitoba Pool Elevators, that's the Roblin area, the resolution that they passed - and this was February 1, 1982, - that our council go on record as being violently opposed to any increased freight rates be charged to the farmer and that no change be made to our statutory Crow rate.

Sub-District 701, that's the sub-district that I'm part of, passed this following resolution on March 30, 1982:

BE IT RESOLVED that Sub-District Council 701, Manitoba Pool Elevators, declares that the statutory Crowsnest Pass rates are not bargainable and that we affirm these rates as the historic right of western farmers in Western Canada, and that was carried.

Sub-District Council 702, and that's Benito, Durban, Kenville, Minitonas area, passed the following resolution on March 29, 1982:

WHEREAS the economic effect of any change to the rate of shipping grain would be disastrous to farmers in the community, and

WHEREAS the railways have been adequately and handsomely paid for hauling grain, and that the historical Crowsnest Pass rate was enshrined in law and was one of the reasons for the growth and development of Western Canada's economy,

THEREFORE BE IT RESOLVED that Sub-District 702 of Manitoba Pool Elevators oppose any change in the amount of money that farmers pay in hauling grain, and that was carried unanimously by their sub-district.

Sub-District Council 704 of Manitoba Pool Elevators, March 24, 1982 passed the following resolution, and that's Gilbert Plains, Grandview and Ethelbert:

BE IT RESOLVED that the Crow rate be retained as is, non-negotiable.

So what we have seen in Manitoba Pool is a lot of the sub-districts supporting retention of the Crow rate but the delegates not seeing fit to follow through with the view of their sub-districts.

I guess what I also will say is that, to start with, the Crow rate and the Canadian Wheat Board both came about by struggles by farmers and now we see a proposal where we are in the position of losing both. Through the Canadian Wheat Board and the Crow rate we have developed a pretty good grain handling system. That system last year moved 29.4 million tonnes of grain, almost reaching the Canadian Wheat Board target of 30 million tonnes by 1985, two years ahead of schedule.

While I'm not here to argue against improvements in the transportation system, the plan being put forth by Pepin does not improve the transportation system; it merely adds money to the railway's coffers.

We have had three Royal Commissions study the transportation over the last centuries and all have recommended retention of the Crow rate; the latest being the Hall Commission. When the Hall Commission came down with its report in 1977, every major farm organization as well as four prairie governments agreed to the basic Hall Report recommendations.

Although with this type of consensus the railways or the Federal Government still didn't act, and they didn't act because, in my view, it wasn't the railway's plan; it didn't give the railways the kind of control of the system that they needed.

The whole Pepin plan, scheme or proposals or whatever you might call it, will probably go down in history as not only one of the greatest swindles of farmers in Western Canada, it is also probably one of the greatest scandals. We've seen Snavelly do a costing of the railways in 1977. He updated that in 1982, even though he stated that he deliberately overestimated many of the costs, nobody ever questioned it. We saw the Pepin proposal of February 28th of the past year, again inflate Snavelly's figures. We saw the Gilson process inflate those figures even further and then we saw the last Pepin proposal inflate those figures even further yet. Again, we've never had anybody challenge them, the press, or nobody else has ever challenged the costing.

The move to change the Crow rate has been a very cleverly orchestrated scheme. Nick Mulder, who is in Pepin's office, his former job, he was in Trudeau's office as one of the Directors of Strategic Planning. Some farm organizations were led to believe that the Crow rate was a detriment. Other farm organizations, and notably the Pools, were coerced into believing that change was inevitable and that in order to improve the transportation system, the Crow had to go.

Farmers, because of Pepin's heavy-handed tactics, feel nothing can be done to stop the proposal. Provincial governments were told they were not involved so they remained on the sidelines. The National Farmers Union did not take part in the Gilson process or the massaging exercises, as Pepin preferred to call it, because the real decisions weren't made by Gilson, they're made

in Ottawa and they're made between Pepin and the railways. When you look at the whole proposal there's more involved than just the Crow and grain movement and I say, it's coal, grain and politics.

The former Cabinet Minister, Ron Basford is with B.C. Coal. The late Robert Andras is with CAT, one of the coal companies in British Columbia. Alastair Gillespie was heavily involved with the coal industry in Eastern Canada; Joel Makalusa, a Liberal MP, is Chairman of the Coal Association; Louis Desmarais, Liberal MP is with Power Corporation, Bombardier and Canada Steamships. Canada Steamships' power corporations are both subsidiaries of the CPR, and Power Corporation moved to take a 15 percent controlling interest in the CPR just lately. His brother is Paul Desmarais, Chief Executive Officer of Power Corporation, also a chief friend of Trudeau's.

Otto Lang, who was the former Transport Minister, has recently been appointed as Chairman of Harbours Canada. His former Executive Assistant, Marion Robson, has been named Chairman of the B.C. Harbours Commission. Arthur Krueger, who is the Deputy Minister of Transportation and instrumental in developing the whole Crow process change or in part the Pepin sell-out. He was appointed by Don Mazankowski under the Clark administration. His brother is Henry Krueger, Deputy Minister of Transportation in the Alberta Government.

Jack Horner, former Liberal Cabinet Minister is President of the CN Rail; his brother, Hugh Horner, former Deputy Premier of the Province of Alberta. Pepin, himself, has interests in Power Corporation, Bombardier and Canada Steamships. So the people involved in politics, coal and transportation are heavily involved with the whole Crow change.

When we are looking at the Pepin scheme, what is being proposed, or what the railways claim to be guaranteeing is 16 billion in expenditures over the next 10 years, and that is less than is currently being spent. Of that \$16 billion, \$10 billion will be paid for by the farmers and the Federal Government. So the Federal Government is asking the farmers and the taxpayers to build a whole infrastructure in Western Canada.

Nowhere in the Pepin scheme do I see a better transportation system being developed. I see nothing for improvements to Thunder Bay, nothing for Churchill. In fact, what we will receive is a more costly system because farmers will be required to do the co-ordination of the product to greater distances through a centralized system, centralized around inland terminals, high throughput points and so on.

Apparently in the proposal, there is provision for variable rates. What they intend to do is establish a base rate and then lower that rate to certain points. Pepin calls it an - what does he call it? - incentive rate. He says, if they can pick up 20 cars at a spot, they should have some incentive rate to do that.

There is a proposal for a central co-ordinating agency which will be composed of Ottawa bureaucrats, railways, grain companies and some selected farmers. The central co-ordinating agency will be given the powers presently handled by the Canadian Wheat Board over transportation. In order for a marketing agency such as the Canadian Wheat Board to be effective, it must have control over the transportation because transportation is functional to marketing.

If we looked at the economic impact of the whole Pepin proposal by 1990, John Twig, writing in Saskatchewan business - and John Twig is the financial editor of the Regina Leader Post - states that by 1990, the Pepin proposal will have the same impact on Saskatchewan as if you removed oil and potash from Saskatchewan. In Manitoba, by 1990, 430 million will be moved annually.

In the Swan River Valley where I come from and all the delivery points in the Valley, \$7 million to \$10 million will have to be spent by farmers to move their product to market by 1990. For a farmer selling 20,000 bushels, he would pay an extra \$15,000 in freight costs by 1990.

So what is needed, and what I feel is needed, is that we need a transportation system in this country run not for private entrepreneurial profits, but run for service so that we have communities and we don't see the continual abandonment of branch lines and so on. I don't think many people that live in a city would accept a public transit system that had to return a 20-some percent return on investment to the owners.

Some of the things I would like to see done by this committee and the Provincial Government, aside from taking a very strong stand on Crow retention, which is only natural for them to do, I would like to see them selectively tax all CP and CN properties, place a tax on all CP and CN trucks - this could either be done through fuel or licences or so on - remove the tax on locomotive fuel; do not provide crop insurance information re land classification for the Federal Government, which apparently they are requesting in order to give some kind of a Crow benefit payout to farmers.

I would like to see the members of this committee be prepared to attend and participate in lobbies in Ottawa with farmers re retention of the Crow rate. I would like to see them go further than that and I would like to see them be prepared for actions including civil disobedience re retention of the Crow rate.

That, Mr. Chairman, is my presentation.

MR. CHAIRMAN: Thank you, Mr. Sigurdson. Are there any questions for Mr. Sigurdson from members of the committee?

Mr. Harapiak.

MR. H. HARAPIAK: Thank you. Mr. Sigurdson, you are consistent with your local Swan River group. You have always been very strong in your opposition to the Crow. I'm wondering if you feel that if the rest of the National Farmers Union around the province would have been as consistent as you have, if that would have been much more help to the Provincial Government.

MR. CHAIRMAN: Mr. Sigurdson.

MR. K. SIGURDSON: I guess, Harry, while Swan River has been one of the active places, I think, in terms of support for the Crow, you can pretty well find that anywhere in Manitoba. I don't think I have talked to 20 farmers that didn't want to retain the Crow. There are a lot of people get caught up in this thing of paying a little bit more, but they really aren't in the realities of what is going to happen to them.

As for the Manitoba Government, faced with the type of economic things that are going to happen and the

type of things that are going to happen to the rural communities, I don't think the decision should be a difficult one for them.

MR. H. HARAPIAK: In your opinion, Ken, by paying a little bit more if we do lose the Crow, will there be many farmers in the Swan River Valley who will be losing their farms?

MR. K. SIGURDSON: I don't really understand what you are getting at.

MR. H. HARAPIAK: Are there many that are operating at a sort of a break-even level now, they can't afford any more? Will there be many farmers that will be losing their farms because of an increased cost in the Crow?

MR. K. SIGURDSON: Very definitely, Harry. I guess the cost price squeeze is on every farmer, but what I was referring to was that some farmers had got caught up in, what I would term, a mental midget argument of paying a little bit more, when in fact we know these people aren't talking about little changes.

MR. H. HARAPIAK: Just further in following up to Mr. Downey's questioning a little earlier about corporate farms. If many of the farmers do lose their farms and have to leave the small communities and there's a danger of a corporate farm moving in, do you see that have an effect on the small communities?

MR. K. SIGURDSON: Very definitely, Harry. I guess in the whole agrofood strategy, they talk about removal of the Crow, and that is a document being promoted by the Federal Government and Eugene Whelan. They talk about removal of the Crow not to improve the transportation system, but to lower the farm gate price of grain for industrialization. That industrialization certainly won't be with the small family-type farm.

MR. CHAIRMAN: Further questions, Mr. Downey.

MR. J. DOWNEY: In dealing with one of the items on the resolution that was passed by the Legislature, No. 5, the level of high taxation on farm fuels. Do you not feel that is one of the major reasons that a lot of farmers are faced with a difficult cost of productions right now, or higher costs of production?

MR. K. SIGURDSON: Yes, I would very definitely agree that the National Energy Policy has been one that's been very favourable to the oil companies and so on.

MR. CHAIRMAN: Mr. Sigurdson, did you have more to add?

MR. K. SIGURDSON: No.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: When you say, to oil companies, are you aware of the percentage of taxation that is taken by the Federal Government on our fuels today?

MR. K. SIGURDSON: I haven't got those figures. Maybe you could enlighten me on that.

MR. J. DOWNEY: Are you aware that in excess of 50 percent of the cost of fuel today to farmers is Federal Government fuel tax?

MR. K. SIGURDSON: I wasn't, but I am now. I think, when you talk in terms of taxes, how much is fair? We're talking about a tax here on transportation to move coal, so we're probably paying more than our share through things like energy and so on.

MR. CHAIRMAN: Further questions? Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: You had made reference to the financial editor of the Leader Post in Saskatchewan. What was the figure for Manitoba for 1990?

MR. K. SIGURDSON: According to our figures, John, it was \$430 million; and were projecting, I believe, a 1.1 million tonne increase in grain exports every year.

HON. J. BUCKLASCHUK: This is \$430 million a year?

MR. K. SIGURDSON: Annually, yes.

HON. J. BUCKLASCHUK: This is assuming what increase in the present rate? Would that be the 5.1 or 6 times?

MR. K. SIGURDSON: Around 6 times, I believe John.

HON. J. BUCKLASCHUK: You had indicated that you felt that most of the farmers were in support of a retention of the Crow rate. Previous to this afternoon, we had the Manitoba Farm Bureau, which allegedly represents a good part of the farm community, come out in support of the Pepin plan. Wherein lies the truth?

MR. K. SIGURDSON: I guess, John, with the farmers; not with alleged farm organizations. I think Manitoba Pool Elevators pulled out of the Manitoba Farm Bureau last year, so I don't think their credibility is that great. They probably represent certain commodity interests; people in the poultry and the livestock industries, and so on. I don't believe they have ever solicited the opinions of farmers into the development of their policy. They have some type of federation structure.

HON. J. BUCKLASCHUK: I have a further question. I won't fault the Manitoba Farm Bureau. But I guess what I want to point out is that if most of the farmers are concerned about the Crow rate, most of them are in favour of retention of the Crow rate, how do we explain, let's say, the attendance we have at the present time? We've had many excellent briefs; we've had 60-70 observers. How is it that we are going to convince the Federal Government that in fact farmers are very concerned?

MR. K. SIGURDSON: First of all, I guess we did have a pretty good group of farmers starting off here today, but the hour is getting late. A lot of it is, in my view, the tactics that have been put forward by Pepin; some farmers feel that there is nothing they can do. That's one of the things that's happened. I think one thing that's needed, and particularly is needed from the

Minister of Transport in this province, is his attitude. I have talked to him on several occasions and he has an attitude that very little can be done. I don't think that type of negative attitude does much to help the cause. I think we need real leadership from everybody concerned. I am not saying only government; I am saying farmers too.

HON. J. BUCKLASCHUK: A further question and maybe this will end it. I always like to think that the media are some barometer, or act as a barometer, as to what is going on around them. We had some media here, I believe, at the — (Interjection) — Pardon me? No, no, you have to give them some credit.

We did have some media here for the first 15 minutes, half-an-hour of a presentation, and suddenly they have scattered. Now, is it that what people are saying here is not important enough to be reported throughout this area, which is the heart of the grain producing area in Manitoba? It should be very important, and I would gather that the media who would certainly, I hope, react to their readers, don't consider it as such. How do you explain that?

MR. K. SIGURDSON: Well, I don't know how to really explain that for you, John, any better than you . . .

HON. J. BUCKLASCHUK: I'm puzzled.

MR. K. SIGURDSON: Yes, I think there are media that do care about farmers and farmers' problems, but apparently they're not here right now.

MR. CHAIRMAN: Further questions? Mr. Plohman.

HON. J. PLOHMAN: I just wanted to follow up maybe on that a bit too. You know, there seems to be some magical transformation by the delegates for the Pool according to what you've said, that the locals have all said they want to retain the Crow, and yet the delegates they send somehow when they get to the meetings, a number of them here have changed their opinions when they get to these meetings. I wonder whether - is that the case? Do they change their minds? Are they not representing their locals when they get there? Can you comment on that?

MR. K. SIGURDSON: I would say, John, in view of the resolutions that I have received, the delegates that do go to the conventions definitely do not represent the views of the farmers in the subdistricts.

Part of that is due to the type of structure and the election process that goes on at the Pool where subdistrict councillors elect the delegate and he's not responsible to the people at any time. The delegates elect the director. It's just like having the Municipal Governments elect the Provincial Government, and the Provincial Government elect the Federal Government; that's the type of structure.

HON. J. PLOHMAN: One other point. You seem, you know, from what you've said, that you would like to see the Provincial Government pull out all the stops and do everything - I don't know what that means - to stop the Federal Government from doing this.

Selective taxation and participating in civil disobedience, you mentioned, and so on. Do you not think that we as a government provincially should be concerned about retaliatory action from the Federal Government with regard to this in terms of considering where our money comes from, and so on?

MR. K. SIGURDSON: Yes, that's a great concern to me, John. A concern that is, may not do as much as you can, because of the fear of that. But, you know, I think you've got to deal tough. I don't think you worry about cutbacks and funds or transfer payments or the whole thing, because this is a big issue and it's the whole structure of our community system that we've got in Western Canada that is really at stake.

HON. J. PLOHMAN: So you are saying to us then that shouldn't be a major concern. The major concern should be this particular issue and deal with it issue-by-issue as they arise when we're dealing with the Federal Government.

MR. K. SIGURDSON: Very definitely, I think this is probably the biggest issue that we're going to face in some time. If you start looking at costs, \$430 million by 1990 in Manitoba - I don't know what the current deficit is - but you start adding something like that onto it and that's economic activity that's going to be taken right out of the province.

MR. CHAIRMAN: Mr. Plohman? Any further questions for Mr. Sigurdson?

Seeing none, Mr. Sigurdson, thank you for being here today and making your presentation.

MR. K. SIGURDSON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Larry Maguire, Souris Valley Farm Business Association.

MR. L. MAGUIRE: Thank you, Mr. Chairman. I'd like to introduce our Chairman from the Souris Valley Farm Business Association, Mr. Laurie Howe who is with me.

In opening this presentation, I'd like to say that the Souris Valley Farm Business Association is happy to be able to make a brief to the Standing Committee on Agriculture on such an important viewpoint. The members of our association are pleased with the initiative taken by the Federal Government in trying to resolve the problems created by our present grain transportation system. We feel in spite of all of the negative promotions towards the Western Transportation Initiative that the Honourable Jean-Luc Pepin deserves some applause for holding fast to his proposal. We would be satisfied to see this program tabled in the House of Commons so that its substance could then be further scrutinized.

It is our view that the better than normal grain movement achieved on the prairies in the last year has been as a result of the recessionary affects that our economy has had on the movement of natural resources. We feel that farmers have only been able to cope with rising input costs of the last few years because of this greater movement of grain. Therefore, we are concerned as farmers, that if we are not in a

more acceptable freight position when this recessions lessens that we will be in a similar position to the late sixties, one of poor prices coupled with poor grain movement. We feel that the Western Transportation Initiative would cause less hardship to prairie agriculture than would be felt by rejecting a proposal which would allow grain to compete with other commodities for rail service.

The Souris Valley Farm Business Association welcomes the indication by the Western Transportation Initiative to pay a Crow benefit according to the federal definition of 651.6, rather than the 644 as Mr. Gilson had indicated, in statute in perpetuity. Our concern is that the government share of inflation should form part of the Crow benefit payment so that the government payments will not be distorted by future inflation. Our membership agrees that the method of payment of the Crow benefit should be to the producer and not to the railways. We feel that having the method of payment to the producer is the best way of providing equitability amongst all producers. Our concern is that the Pepin proposal calls for only a 50-50 share of this payment after 1985-86. Prairie agriculture would benefit most by having this payment made completely to the producer, or at least adopt the Gilson recommendation of working towards 80 percent to the producer and 19 percent to the railways.

Perhaps the greatest concern of our association is that the Western Transportation Initiative indicates that farmers pick up 6 percent of future inflation costs in grain transportation. If future inflation could, indeed, be pegged at 6 percent, then farmers would be paying all future inflationary grain transportation costs. We believe that these costs should be lowered to 3 percent paid by the farmers and 3 percent paid by government.

The Western Transportation Initiative also indicates that producers will pay all freight past the present production of 31.1 million tonnes. We are concerned with having this volume "cap" in that it may tend to act as a disincentive to expand production in the future. Also, as railroads are seen as the only viable means of moving grain to ports, any legislation regarding grain transportation by rail should require the railroads to make public their cost data each year. This procedure could allow for rail costs to be scrutinized annually and would allow for input into any discrepancies which might arise. Lately there have been discussions in favour of a transportation cost system being set up to protect farmers from excessive inflation or unreasonable transportation costs relative to the initial price of grain. Such a program for grain freight, whereby the producer's cost of freight becomes tied to a certain percentage of the blended price of the six major grains could be acceptable. It acts as an insurance to farmers in that they would not pay more than a percentage of their expected returns. However, we have concerns that the Federal Government may not be willing to pay the Crow benefit payment and its share of freight over the set producer percentage.

In closing, we would like to reiterate that our main concerns lie in having the payment of any Crow benefit paid to producers; in having the inflation rate of future freight shared between the government and producers and in having the 31.1 million tonne "cap" removed. If no movement can be gained from the Federal Government once this program has been tabled, then

our members would be willing to examine a program of transportation cost insurance as part of the WTI. However, as we foresee some problems arising from such a program, we would rather see the Pepin proposal realigned by the Agriculture Committee of the House of Commons, as outlined.

Thank you.

MR. CHAIRMAN: Thank you very much, Mr. Maguire. Are there any questions for Mr. Maguire or Mr. Howe? Mr. Uruski.

HON. B. URUSKI: Mr. Chairman, Mr. Maguire, your association how is it composed? How does one join your association? How many members would you have in your area?

MR. L. MAGUIRE: In our own Souris-Elgin area, we have about 30 voluntary membership with a membership fee due each year.

HON. B. URUSKI: This matter would have been discussed at one of your meetings and put to all the members.

MR. L. MAGUIRE: Several of them. We had a specific meeting last week to discuss the final preparations of it, but everyone had input into it.

HON. B. URUSKI: In your brief, on Page 1, you indicated, and I quote, "We feel that the Western Transportation Initiative would cause less hardship to prairie agriculture than would be felt by rejecting a proposal which would allow grain to compete with other commodities for rail service."

Implicit in that, am I misreading you where you're saying that it is better to pay more and be guaranteed service? Do I get that meaning from what you're saying there?

MR. L. MAGUIRE: We feel that if farmers aren't prepared to pay some more, well, yes, I think we have to be able to realize that the percentage of payment of our initial price of grain right now, the percentage that we're paying is not possibly realistic as compared to, if you want to go back to 1897, the 20 percent that it was tied to at that time.

HON. B. URUSKI: Then, basically your assumption is that if we pay more this might guarantee us better service.

MR. L. MAGUIRE: No, I don't think that's the case. I don't think you can pay somebody and legislate them to transport more commodity. You can to the effect of setting standards whereby they would have to meet a commitment to become paid for their haul.

HON. B. URUSKI: Then what are you saying, and what would the guarantees be to the producer if they were to pay more money, as you suggested?

MR. L. MAGUIRE: Part of the guarantee the farmer would receive would be the guarantee that you would have more grain grown, as they indicate in the program

that you are producing 31.1 million tonnes now and in 1992, you would go to 41 million. That's a third more production. You would have that opportunity to move the extra third of your production off your farm by 1990. We feel it would be more viable to the farming industry.

HON. B. URUSKI: Basically then you are agreeing with me, or at least as I understand it, that if we do pay more, there would be better chance of getting that better service to move all that grain we might produce by 1990.

If we look at our cattle industry, we ship cattle now on the basis of compensatory rates. We do ship cattle at the commercial rate. Yet, we realize that the number of cars available and the quality of rolling stock has deteriorated and is going down annually which leads to the question, can we be guaranteed that if we are going to pay more, we will get the rolling stock and the better service.

MR. L. MAGUIRE: Only to the extent I think, Bill, that the guarantee has to be built in to part of the presentations to the railroads from the government, that if they move the grain they will receive the payments for moving that quantity of grain.

HON. B. URUSKI: On Page 2 of your brief, you indicated that the method of payment to the producer is the best way of providing equitability amongst all producers. On what basis do you make that statement? Who do you include in that statement as "all producers" having heard when you were here sitting through the brief that was presented by the Manitoba Farm Bureau where they have indicated that their position is that not all agricultural producers receive benefits from the Crow benefit, whether they be livestock producers and/or grain producers?

MR. L. MAGUIRE: I think our main thrust is that it would be more equitable than it is at the present time. We feel that there is a discrimination against a lot of the people producing special crops in Manitoba at the present time, in that they are not included in the area of discussion.

The livestock people, we feel, it would make them more equitable between the livestock production and the grain producer in that some organizations discuss slippage that would be involved, Bill, with the program. We don't feel that this is a problem in that today, some of the groups were wondering where our future exports would be if you had this viable livestock industry and a lot more beef produced on the prairies. It is not that you're going to produce that much more beef but if you take the total beef production away, you end up having to move the feed grains off the prairies at present under a Crow Rate. If those commodities, if the grain can be fed in fact, then that's for me, as a grain producer, a market for my product. So we see that as making things a little bit more fair through this type of a presentation.

HON. B. URUSKI: Would your position be different if the special crops that you're talking about, having been developed in Manitoba and didn't have the same

favourable position as coarse grains have under the Crow Rate, if those grains were included under the statutory rate? Would your position still be the same?

MR. CHAIRMAN: Did you want to answer that question, Mr. Maguire?

MR. L. MAGUIRE: I think to the extent that, if we could move the special crops at the Crow rate, that would be desirable, but to have the special crops sitting in inventory the same as our barley is doing right now, then that would not be acceptable to us.

HON. B. URUSKI: Taking that analogy that you have given that there are special crops sitting in storage, is the reason they are sitting in storage because of the inability of the transportation system to move them, or is it because of the lack of markets and price?

MR. CHAIRMAN: Mr. Howe.

MR. L. HOWE: In this particular year, I would have to say that there is just not the market for barley; the special crops are pretty well all moved out. But there have been lots of years when there have been markets for barley when we haven't been able to move them off the prairies into the marketing channels.

HON. B. URUSKI: A question. You've heard the presentation of the Farm Bureau analyzing what they believe will be the course of the legislation dealing with payments to farmers and which farmers will be excluded this morning, or which land will be excluded will be on the basis of land and assessment. Can I ask you whether you would support the exclusion if the changes that are proposed in the Pepin Proposal and Farm Bureau's analysis of the legislation? Do you support the exclusion of certain livestock or certain farm groups from receiving payments because you talk about providing equitability? Do you support that kind of position as was enunciated by the Farm Bureau in terms of direct payment to farms?

MR. L. MAGUIRE: Are you talking there, Bill, about any new breaking or this sort of thing?

HON. B. URUSKI: The Farm Bureau, in their presentation, said that land that was used for range land and primarily for pasture, that land would be totally excluded from any benefits, which means you have several regions in the province, namely, a good portion of the Interlake and a good portion of the Westlake area and southeastern Manitoba and part of eastern Manitoba which would be excluded from any benefit payments under the direct payment which you are advocating. The Farm Bureau, having been involved in the drafting of the proposed legislation or on the committee, have put forward what they believe will be within the legislation. That's why I ask the question. Having heard the presentation, how do you view those kinds of payments as to your statement of equitability?

MR. L. MAGUIRE: I understand you, Bill. We go along with that idea to the extent that if those acres are not cultivatable acres; if it's cultivated, arable land to the extent that it has been sowed to alfalfa, brome or clover,

this sort of thing, it would be included in the payment method. It would be on a productivity basis, as indicated.

MR. L. HOWE: I think one thing that you have to remember is that the cow-calf producer and the ranchers at this point in time now are not getting any Crow benefit because they're not hauling grain to the elevator, and so there's no particular reason at this point in time why they should get an acreage payment from the Federal Government for a Crow benefit, because they're not receiving that benefit now. Now, if they were to bring that land into production in the future, then I think the mechanism is there to review that in '85 or '86, when it's reviewed, if that land is fit to be cultivated and is cultivated in '85-86, then it may be brought into the program.

MR. CHAIRMAN: Mr. Uruski.

HON. B. URUSKI: I don't disagree with your comments. Would you not believe that many of the livestock people in Western Canada, including the cow-calf people who are members of the provincial organization of MCPA, would have been sold a bill of goods, as I would say, believing that there would be some direct benefits if payments were made to farmers as a result of changes in the Crow rate?

MR. CHAIRMAN: Mr. Maguire.

MR. L. MAGUIRE: I think that the benefit would accrue to livestock as well as grain farmers, Bill, and as is indicated today, the price of that feed grain would be correlated, taking up the amount that the producer would be paid as myself, as a grain producer, in the cost of the feed grain to the livestock producer and I don't see why myself, if I had a feed operation, I should be penalized for producing a thousand acres of barley on my farm or a hundred acres, whatever, and marketing that grain through my own feedlot. All I'm doing there is making more available space in the elevator system for someone else to haul his grain out under the freight rates

HON. B. URUSKI: I don't argue that through your feedlot, but for the cow-calf producer, he would have no feedlot and would have no direct benefits. But going on that line, do you believe that the developments of either livestock or the dis-benefits to livestock and/or special crops has been hindered in Manitoba, primarily because Manitoba is one of the few provinces, or the only western province, that has expanded in the special crop area over the last decade as much as we have, do you believe that these two areas would have expanded even more had the Crow rate been not in place?

MR. L. MAGUIRE: Yes.

HON. B. URUSKI: Can you give me your views on how you believe that would have happened and where would that expansion have occurred and to what degree?

MR. L. MAGUIRE: We feel that the livestock industry would have been more viable because of the payment,

because the grain at the present time has to leave the country on box cars, and if it is a benefit to the cow-calf operators or to the feeders in the end, they're going to gain on the price of the feed that they're putting through those livestock. Rather than exporting all of our product, we only feel that now we would export - and we have to find markets, one or the other; it has to be for grain or for livestock. Some of them may not be on this continent but . . .

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Maguire, I want to just follow up a little bit on the membership. You indicate the Souris Valley Farm Business Association is made up of some 20-30 members. Is that correct?

MR. L. MAGUIRE: Yes.

MR. J. DOWNEY: You're affiliated with the Manitoba Farm Business Association. What would be the total Manitoba Farm Business Association membership throughout Manitoba?

MR. L. MAGUIRE: I'm not sure what the total is, Mr. Downey, but it would be over 200.

MR. J. DOWNEY: Over 200. And this basically is the same policy that is being advocated by the Manitoba Farm Business group which you put forward here, basically along the same guidelines and principles?

MR. L. MAGUIRE: Yes, we feel it would be, and we feel that it would be a representative presentation from our Manitoba executive, but we have made this submission on our own and would not speak for them at this time.

MR. J. DOWNEY: One of Western Canada's largest grain companies, probably the largest in numbers of memberships as one single co-op, the United Grain Growers, has advocated a policy position that I would say maybe differs a little bit in that they, as I understand it, support the Gilson report or the Gilson recommendation with the removal of the cap and the concern over the amount of inflationary cost that the farmers are going to have to pick up. Would you say basically, in your interpretation of that company, that you could align yourself, that this pretty much aligns with the United Grain Growers' position in Western Canada?

MR. L. MAGUIRE: I think it would.

MR. J. DOWNEY: Following on the questioning of special crops, the major concern has been brought forward recently, particularly by the oilseed crushing industry, whether it be Harrowby or whether it be the Altona plant, would you see this kind of a proposal that is being presented by the Federal Government as one that would encourage you or your membership at large to grow greater numbers of sunflowers, canola seed, canola oil, would produce greater numbers of bushels or tonnes, however you want to put it, for those processing plants, not only in Manitoba but in Western

Canada, if this proposal would give them the stability that would give you the encouragement for long-term development in those crops and have the kind of processing of special crops in Western Canada that has been pointed out as being desirable by you? Do you feel that would give you the kind of security and, in most cases, producer-owned oil companies or crushing companies, the kind of change that would be needed to stop implementing of such subsidy programs as Alberta introduced a year ago, creating some anomalies between the provincial boundaries with taxpayers' money, that this kind of thing would remove the need for those kinds of provincial subsidies?

MR. L. MAGUIRE: I can't speak for the Alberta Government. I know what you refer to of the tonnage payment to the crushers in Alberta but, yes, we feel it would be an incentive for Manitoba producers to grow more special crops in the area of sunflowers, that sort of thing, and that can only help keep such plants in operation and, we feel, maintain jobs in Manitoba and other prairie provinces.

DEPUTY CHAIRMAN - Mr. David Blake (Minnedosa): Mr. Downey.

MR. J. DOWNEY: Specifically in your area - and I should know this, but you could probably help me out somewhat - what percentage of your membership or what type of non-statutory crops would be grown there and what percentage of the producer's acreage? Would half your acreage be in, say, sunflowers or crops that could be processed in Western Canada, canola seed, that type of thing?

MR. DEPUTY CHAIRMAN: Mr. Howe.

MR. L. HOWE: You're talking about including canola seed too?

MR. J. DOWNEY: I'm considering canola seed as one that could be thrashed at Altona or in Harrowby - or sunflowers.

MR. L. HOWE: I would think that about one-third of the acreage in our area would be in oilseeds and special crops.

MR. J. DOWNEY: Thank you.

MR. CHAIRMAN, Andy Anstett (Springfield): Any further questions? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Maguire, in the United States they've got compensatory rates and the performance of the railroad has not been efficient enough to move the grain. What makes you think that the railroads will move the grain in Canada with the Crow if we receive these additional funds?

MR. L. MAGUIRE: I think, as outlined in the Transportation Initiative, the difference here would be a format by which the railroads are only paid on an interim basis and they're only paid according to the amount that they move by rail. We're at the point where

we're making this proposal; the United States has set it up without such a guarantee.

MR. L. HOWE: Yes, I'd just like to make one comment on your view on the United States transportation system. Between 1970 and 1980, they increased their transportation system by 30 million tonnes a year, which is what we handle in a year, so they may have been restricted by a lack of transportation but they were doing a heck of a lot to improve the situation at the same time.

MR. H. HARAPIAK: According to Mr. Nicholson's presentation, farmers in their area will lose \$9.2 million over the next 10 years and I'm not sure if the Souris Valley is smaller or larger or the same size. Could your community afford to lose in the vicinity of \$9 million or \$10 million over the next 10 years?

MR. L. MAGUIRE: I'll answer that first. I feel that there wouldn't be any loss in our area from a Western Transportation Initiative. The Swan Valley is a productive area, I'll grant you that. But what we call our Souris Valley Organization only because the Souris River bends around a few areas in our towns, we don't look at it as a loss of income in prairie producers. We feel that there are definitely advantages to bringing such a proposal in, in that we are only going to be charged those freight rates that we hear about, if there's a 41 or 42 million tonne handle off of the prairies in 1991-92. At the present time . . .

MR. CHAIRMAN: Order please.

MR. L. MAGUIRE: Pardon me. I'll ask Bill to . . .

MR. CHAIRMAN: If Mr. Uruski has a question for you, I'll put him on the list.

MR. L. MAGUIRE: Okay. We feel that at the present time it's only about 27 million tonnes and that you're moving roughly 50 percent more grain by 1991-92. If that can be moved off my farm by that time, I am prepared to pay some more towards having that grain moved, and I think it would be an income - you know, a management decision - but I think it would be profitable for me to do so.

MR. L. HOWE: Yes, another thing we've got to consider, at least in our area, and I know some other productive areas around the province, we have a fleet of trucks steadily hauling flax to Thunder Bay. We're hauling rapeseed to Harrowby, to Altona. There's barley being shipped out of Brandon and going east in trucks, if you can imagine that, and still getting a price that's pretty comparable with what we can get at the elevators and the freight is certainly a lot more than the Crow rate on what's going out by truck. So what we're actually paying for freight, and what it looks like we're paying for freight, are two different things.

MR. H. HARAPIAK: Are you thinking then that if this Crow goes, that trucks will also receive compensation that the railroads are receiving?

MR. L. HOWE: Well, under the Gilson proposal, at least the farmer will be getting the money, so he can decide

how he ships his grain. But if we had an efficient rail transportation system that could be handling this grain on rail - it's got to be cheaper to ship this stuff by rail than it is by loading it on a semi and putting it on a train and sending it down east - so hopefully, we'd be shipping more by rail than by truck in this situation as it exists right now.

MR. H. HARAPIAK: With this increased traffic on your highways, what is going to happen to your highways - highway roadbed?

MR. L. HOWE: I suspect that depends on where the grain has to go. I don't think you'll see much shift in our area from where the grain is hauled to the elevators.

MR. H. HARAPIAK: I believe you misunderstood my question. You were saying that grain would be moved to the Lakehead by truck. With this increased traffic, what is going to be happening to the roadbed of the province that's handling the . . .

MR. L. HOWE: What I'm saying is that right now we're shipping it by truck to the Lakehead, or to Toronto, or wherever it's going to. With a more efficient rail transportation system, we shouldn't have to be loading it on trucks. We should be loading it on a rail car.

MR. CHAIRMAN: Mr. Harapiak. Mr. Bucklaschuk. Mr. Uruski, you had a question you wanted to pursue.

HON. B. URUSKI: Yes, just one point. You're aware that the proposal calls for a cap of \$31 million?

MR. L. MAGUIRE: Yes, oh yes.

HON. B. URUSKI: So that anything beyond that is not at the new rate, but at whatever the traffic will bear.

MR. L. MAGUIRE: Yes, we indicated that in our brief, Bill, but we realize that it's there, but one point that we feel is that anything over that inflationary value of 6 percent should be picked up 3 and 3. It is until 1985-86, according to the present proposal, but we see that isn't tied to the cap, but the cap is 31.1 but we are prepared to pay more over and above that cap. But as I say, it's only tied in if more grain is moved than that.

MR. CHAIRMAN: Any further questions from members of the committee? With your permission gentlemen, I have a couple of questions I'd like to ask the person making the brief. Are there any objections from members? I'll leave the Chair if you wish.

Mr. Maguire, with reference to the question of increased trucking that has been suggested by some members in their questions to you because of the change in the rate structure proposed under the Western Transportation Initiative, I get the impression that what you're saying is, even if the cap isn't removed - if it's left at 31.1 million tonnes - you're suggesting that there wouldn't be a substantial change in your area in transportation habits now, which involve some trucking, but I gather still substantial movement by rail through elevator points.

MR. L. MAGUIRE: Yes, we feel that this is a fear that some of the companies have, that if they go for this, that there'll be a dramatic shift. We see it as a problem right now that a lot of this grain is going down the road. We know several farmers in our area that are shipping at least 30 percent of their grain off their farms on rubber tires at the present time, and there's no reason why that grain - you know, outside of being mostly special crops and that sort of thing, there's a lot of barley - but it's more efficient and economical as well to ship it by rail.

MR. CHAIRMAN: I guess what I'm not understanding about your answers to these questions then, or maybe I'm missing a point here, is if trucking is now competitive in the Souris Valley area with rail, or competitive enough that substantial use is being made of this mode, why would trucking not increase when it became more economic, as it would under the Western Transportation Initiative? Can you tell me why you wouldn't expect an increase, in fact a very dramatic increase, when the rate goes to five times Crow? I guess that was the one thing I was . . .

MR. L. MAGUIRE: First of all, the rate only goes to five times Crow, and if that amount of grain is being marketed - 41 million tonnes - there are still going to be the people growing special crops, corn, grain corn, this sort of thing that, due to short-haul distances, aren't going to be loaded on boxcars and definitely it may increase. We feel that this is one area that will, as indicated in Mr. Downey's question, we feel there will be more incentive for the fellows to produce crops that would help keep some of these industries viable in Manitoba, such as our crushing industry and these sorts of industries.

MR. CHAIRMAN: So you could then see a dramatic increase in trucking of special crops in particular, but also of grains out of the Souris River Valley under the Western Transportation Initiative?

MR. L. MAGUIRE: I don't know if you would say a dramatic increase. I think as Laurie indicated, no, there probably wouldn't be a dramatic increase. There would be the same quantity of grain proportionately anyway going through the elevator system.

MR. CHAIRMAN: Okay, thank you very much.

Any further questions? Seeing none, Mr. Maguire, Mr. Howe, thank you very much for being here today and for making your presentations.

Next person on the list is Mr. John Whitaker.
Mr. Brad MacDonald.

MR. B. MACDONALD: Before beginning, I would like to tell the committee that my brother and I farm at Strathclair, a grain and hog farm. I'm a member of the Canadian Wheat Board Advisory Committee for District 2. Before I begin my presentation I would like to inform the committee that the advisory committee has, by resolution, completely rejected the Pepin proposal.

As a promoter of the Crow rate, I would like to identify a number of concerns surrounding the debate to change the historic statutes. Notwithstanding the historic

aspects of our transportation policy and large public gifts to the CPR, it is vital that we maintain the Crow rates if the prairie region as to remain competitive in the international grain market. Current market conditions can be simply described as fierce. In both historic and current terms, Canadian farmers have received a relatively low level of support from government when compared to our counterparts in the U.S. and the EEC.

A study was done that in the last 15 years Canadian grain farmers received about 11.4 percent of their income in terms of government support - that includes transportation assistance - compare this to 21.8 percent in the U.S., it rises to 25.8 percent if you include the assistance to their waterway system, and 39 percent in the EEC.

If we are to increase our share of value-added markets for agriculture products on the international market, it will require considerable government funding and patience. Farmers will produce for this market when it is attractive for them to do so; to force the process by reducing the income of grain farmers is stupid. I might add, on our farm where we process our own grain, we don't have any Crow hurt, something that has been mentioned from time to time. This complaint appears to come particularly from the large commercial theatres. On the contrary, if Mr. Pepin's proposal was implemented, it would be to our detriment, because farms like our own would then have to compete with very cheap feed grains.

I'd like to leave my written brief for a second. I believe you've got another page of information. It was given to the members of the advisory committee at our last meeting last Friday by the people who do the foreign analysis. The first four paragraphs are pertinent, especially to those people who believe that we're to blast our way into the value-added market.

U.S. subsidized wheat flour, sale to Egypt, export payment in kind. In retaliation to EEC agriculture export subsidies, the U.S. will subsidize the sale of 1 million tons of U.S. wheat - 1.3 million tonnes of wheat equivalent - to Egypt from March '83 to April '84. The agreement signed on January 17, 1983 sets the price of 1 million tonnes of bagged U.S. flour at 155 per tonne, C&F Egyptian ports. This price is approximately \$20 per tonne below competitive EEC flour prices and \$135 per tonne below U.S. costs.

In addition to the 375,000 tonnes of U.S. flour shipped under PL480, the 1 million tonne sale effectively force EEC out of the Egyptian flour market. Egypt traditionally imports 1.4 million tonne of flour per year, of which EEC supplies .7 million tonnes. Furthermore the U.S.-Egyptian contract specifies that Egypt will notify and consult with the CCC for additional commercial flour purchases over the term of the contract.

Sales under the 1 million tonne contract will be financed by U.S. commercial banks; 77.5 percent of credit guaranteed by the Commodity Credit Corporation under GSM 102 Program. The Egyptians preferred this option at \$155 per tonne to a price of \$160 per tonne with blended credit financing and 72.5 percent of the credit guaranteed by the CCC. In order to meet the contract price, Commodity Credit Corporation stocks will be provided without cost to U.S. millers on a bid basis.

Initially it was estimated that a total of 37 million bushels of CCC wheat stocks would be required as in-

kind subsidy payments to millers. However, the U.S. Government subsequently ruled that 50 percent of the flour shipments must be carried by U.S. flag vessels according to cargo preference rules. The cost of using U.S. flag vessels is approximately \$57 per tonne above the cost of foreign vessels. As a result, we estimate that an additional 16 million bushels of wheat will be required as subsidy payments raising the total to 53 million bushels. Excluding the 147 million bushel food security reserve, the CCC currently has only 37 million bushels available for disposition. Unless the CCC can acquire sufficient stocks as loan forfeitures, cash subsidies may be required to make up the difference.

We should protect our market for export grain, which is a proven track record by retaining the Crow rate and extend that attitude by reducing costs to farmers on the winter movement and water movement of export grain into the St. Lawrence and eastern ports.

My second concern is with the proposed transportation authority. The proposal would give the Minister of Transport the power to override both The Canadian Grain Act and The Canadian Wheat Board Act. Transportation is part of marketing. Any loss of power in this area and the Wheat Board marketing function would be severely impaired, so the loss is going to the producers and the economy.

My third concern is with the proposal to introduce variable or incentive rates. This proposal would give the railroad presidents in Montreal the power to determine the future of our grain handling system. Since the cost of maintaining provincial roads will increase along with the decline in the small towns under such a rate structure, I'm surprised the Provincial Government hasn't released an impact study of the effects on Manitoba.

My last concern is with the very low profile the Government of Manitoba has treated the proposed changes. As late as last Friday, the president of the Farm Bureau was justifying his arguments for change by your silence. I would think that the least you would consider is some real money to counter the Federal Government advertising and funding for those groups lobbying for the Crow, I might add, as opposed to current funding, compulsory funding, to those groups that are opposed to the Crow, such as the Manitoba Cattle Producers' Association. In addition, the Government of Manitoba could explore what legal means are at your disposal to mess up the Federal Government's plans.

From documentations available, it is now evident that the Federal Government has employed a well-conceived plan to manipulate farmers. Earlier this afternoon, we heard from the Farm Bureau indicating that the Crow rate was the reason that the Wheat Board had problems exporting a couple of years ago, and I reject that the Crow rate was the problem, but rather part of the plan on the Federal Government to manipulate farmers into accepting change.

Some well-intentioned people have been drawn into the plan. While a degree of confusion still exists, we are now seeing a large buildup of opposition to Pepin's proposal. I have consistently promoted the Crow as being valuable to farmers in Canada. I expect the same support from the Government of Manitoba.

MR. CHAIRMAN: Thank you, Mr. MacDonald.

Questions for Mr. MacDonald from members of the committee?

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Just a question in reference to your comments about the alleged silence of the Manitoba Government and the statement you had made: "As late as last Friday, the President of the Farm Bureau was justifying his arguments for change by your silence." Would you care to expand on that?

MR. B. MacDONALD: I am referring to - we had our last Canadian Wheat Board Advisory Committee last Friday. We had a rather long, and at times, vigorous debate of the transportation authority; the sole member of the committee defending the Pepin proposal being the president of the Farm Bureau. One of the reasons for justifying his position was, in his words, he said, "The Manitoba Government has been very quiet." Direct quote.

MR. CHAIRMAN: Further questions.

Mr. Plohman.

HON. J. PLOHMAN: Would you consider the hearings that we are carrying out right now as part of our silence?

MR. B. MacDONALD: Well there's - it's sort of like farming, John. You know, there's a time to do things, and you don't seed in July. I've been involved in this process since 1975 and when the time comes to act, you have to act whether you're ready or not.

I suppose what I would have liked to have seen is, you know, when Mr. Pepin made his proposal in February, a concerted effort to quickly get some facts and figures in place right then and there within a two or three week period, and it should have been possible.

HON. J. PLOHMAN: Are you suggesting that it is a good expenditure of public money here in Manitoba certainly that we should be engaging in an aggressive advertising campaign to counter the - you mentioned the kinds of things that have been sent out to everyone by the Federal Government. A lot of people have said that they consider that a waste of taxpayers' money, but you feel it would be justified if the Government of Manitoba would put something that's counter to that out?

MR. B. MacDONALD: Well, how much effect this advertising really has, you know, I can't give you a firm answer, but I know you can't just let it build up and build up unopposed. What we've seen in the media over the last - since about 1978 - constant references to the old statute the last couple of years - constant references that the Crow only covers 20 percent of the cost; and if you analyze Snavely's report, that's completely inaccurate, yet it's been treated over and over and over again and it's still being treated in the media as gospel.

MR. CHAIRMAN: Further questions.

Mr. Downey.

MR. J. DOWNEY: Mr. MacDonald, you make reference to the fact that the government has been silent. Earlier

today we heard the presentation made by the Farm Bureau and reference made to the fact that there's a task force put in place. I guess you may or may not be aware, but it is my understanding and tell me if I'm incorrect, that the Minister of Municipal Affairs within the Provincial Government is now, through his department and in co-operation with the Federal Government, providing information through his assessment branch so as to help accommodate the kind of direct payment to the farmers that is being proposed. Am I correct in that assumption, or maybe you're not aware of it?

MR. B. MacDONALD: No I'm not aware of it. I'll let the government answer.

MR. CHAIRMAN: Mr. Uruski, on a point of order.

HON. B. URUSKI: Mr. Chairman, just for Mr. Downey's information. He should be aware that there is a request. There's been no decision in terms of any information being passed on.

MR. CHAIRMAN: Further questions.
Mr. Downey.

MR. J. DOWNEY: Just one. Mr. MacDonald, you make reference to the fact that the Wheat Board Advisory Committee did pass a resolution rejecting the Pepin proposal, is that correct?

MR. B. MacDONALD: That's correct.

MR. J. DOWNEY: You're here tonight as the Canadian Wheat Board Advisory member of the committee, or as spokesman for the Wheat Board Advisory Committee as a total?

MR. B. MacDONALD: No, I'm here speaking on my own behalf. I represent District 2.

MR. J. DOWNEY: You're speaking as that representative?

MR. B. MacDONALD: Well, it's not like speaking for a farm organization. I just represent the producers in this district, although part of the campaign platform that I ran on was as a supporter of the Crow rate and in that election.

MR. J. DOWNEY: I just want to be clear.

MR. B. MacDONALD: What I'm here tonight is trying to indicate to the committee, as far as grain producers, the serious impacts that this proposal would have on producers in Western Canada as far as their competitive situation relative to countries like United States, EEC, Argentina.

MR. J. DOWNEY: You referred to a resolution being passed by the Advisory Committee opposing the Pepin proposal, is that correct?

MR. B. MacDONALD: That's correct.

MR. J. DOWNEY: Was that an unanimously supported resolution by the Advisory Committee?

MR. B. MacDONALD: It was unanimously supported by those members present.

MR. J. DOWNEY: It should be fair to ask how many weren't present?

MR. B. MacDONALD: Three.

MR. J. DOWNEY: Out of a total of how many?

MR. B. MacDONALD: Eleven.

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

MR. CHAIRMAN: Any further questions?

Seeing none, Mr. MacDonald, on behalf of the committee I'd like to thank you for being here today. Thank you.

Next on my list are Messrs. Tony and Allan Riley. Would the two Mr. Rileys please come forward. Only one Mr. Riley? Oh. There's two separate briefs.

MR. T. RILEY: Bad news, that's right

MR. CHAIRMAN: I'll blame the Clerk for that one. Well, that means we have 20 today instead of 19, and we're at 12.

MR. T. RILEY: Greetings. It is a shame the Federal Government is such an irresponsible bunch of nincompoops that productive people like ourselves should have to waste time attending hearings justifying the retention of something so obviously necessary as the Crow rate.

The Crow rate is not just for the benefit of the farmer, but all Canadians. There is a massive movement in Canada to rub out all possibility of free enterprise existing. The feds, plus pinkos radicals, are doing their best to destroy the country's access to world markets and the independence the wealth brings forth. The CPR has never proven any losses below cost from hauling grain at Crow rates. Snavely's distortions never proved anything incredible to the CPR story. We farmers seldom hear direct from the railroads that they are wanting more money; rather it is their puppets in government or phoney farm organizations trying to con us into paying more.

The Federal Government tells us it is inflation that has caused the Crow to become an insufficient amount to cover the cost of moving grain. Well, the farmer isn't to blame for inflation. The Federal Government is totally at fault; it is all of their making. No way should we be penalized.

The farmer has been struggling along in a depression for some time and now the feds want to plunge us in deeper to subsidize the building of more rail capacity to haul coal, sulfur, forest products and potash. The CPR is enjoying the fruits of inflation from the wealth-laden millions of acres Canada has given them over the last 100 years. The value of mineral deposits on these lands has increased immensely in the last few years, so we don't have to be concerned that the CPR

might be suffering; in fact, maybe we should be taking some of it away.

If the feds were to take Marathon Realty, CP Investments and CPR total and put it out for tenders with a stipulation the new operator must move the grain, provide the facilities and keep the track and equipment in repair, I'm sure there would be lots of takers without any change to the Crow.

Another way would be to subsidize the railroads, whatever their alleged shortfall claim might be. The funds for this subsidy program should be taken from Marathon Realty and CP Investments by a special tax just for that purpose.

The railroads are getting enormous subsidies from the farmers now in the form of all those miles and miles of branch line closures, gifts of hopper cars and loss of the two-way freight system. With the loss of the branch lines farmers had to haul more miles, spending more time and gas, pay more taxes to build roads, and make up for the lost revenue from closed elevators, build more storage facilities on the farm and bigger handling facilities on the main lines. With the loss of efficient two-way freight service we had to go further distances, pay more for poorer service. After having all those things taken from us the feds tell us that's not enough, they want the Crow.

The loss of the Crow is the demise of Canada. Many things will happen in a short time and all of them bad. Cargill Grain Company has been working hard for branch line abandonment because most of those elevators were farmer-owned and once uprooted those farmers could well be lured into their elevators.

Now the master stroke, "Kill the Crow" and jack the freight rate up to where it is impractical to ship to Canadian export ports. The inland terminals located at strategic points across the prairies will be the bad alternatives that farmers are maneuvered into. The grain will go south into the USA transport system and away; our roads will be flooded with semi-trailers running over our people and wrecking our roads causing our taxes to rise to new heights while our income is plummeting.

Some of the promoters of "Kill the Crow" claim there would be more processing on the prairies without it; I would like to know how. Nobody has been prevented from buying all the commodities we produce in the west now and processing them if they want to. Who is going to buy the processed product? Eastern Canada isn't. The voting majority down there have been assured their jobs will be protected; if necessary, by having a freight assistance on grain, both for livestock and processing plants.

Japan has a \$60 a tonne tariff on rape oil because they want the raw rape seed and jobs for their people. If we allow the Crow rate to be abolished we are simply going to give most of our grain to the cost of transportation or eat it ourselves. Trucking costs will skyrocket, only the Crow rate is holding this in check at present. Transporting costs of processed meat and other products on the railroads will skyrocket as well.

Some people, including the feds, say we should submit to the blackmail of the railroads; that is, the railroads say, pay us more money or no service. Because of this law breaking by the railroads in the years 1977-78 and 1978-79, according to the Canadian Wheat Board figures, we lost 1 billion in deferred grain sales,

extra storage costs, demurrage on ships, interest payments on loans necessary because delayed deliveries mean delayed cash flow.

The feds, of course, are obliged to enforce the law causing the railroads to supply all hopper cars, trackage, engines and the service, but instead, the feds are encouraging them to break the law. Why should we tolerate such criminals destroying our country? After all this, the feds have the gall to say they are going to be tough with the railroads and force them to give good performance, when they have done just the opposite for the last 25 years, even to rewarding them with large gobs of taxpayers' dollars. No way can a multinational be fed out of the Treasury and expect it to be spent in this country for the benefit of its citizens; it goes to maximizing profits for the corporation anywhere in the world.

If we let the CPR write itself a new bonanza deal out of the farmers' pocket we need our heads examined. We can't trust the feds to uphold the law one bit. There is no reason to expect any improvement. There is much foolish talk of tying the freight costs of grain movement to the price increases for grain to the farmer. This, of course, is only another ploy to break the Crow. If it was reasonable to pay the railroads more money, and it was thought that the farmer should pay more because they had a profit from the grain, there is only way to do it; the feds make the payment from the Treasury, and the farmers will make their contribution through income tax to the Treasury. The big aim of all these anti-Canada radicals to break the Crow agreement and they about rupture themselves trying to think up some gimmick that will trick the farmer into clamouring for a Crow change. All these proposals if any of them were really needed could be in excess of the Crow and still leave the Crow intact.

The truth about the Crow is it is very ridiculous for the farmer to pay any money on the freight bill at all. Let the customer pay it. That's what we do on everything we buy. If it was determined that it was in the best interests of the country to have the produce FOB the customer, then the country should foot the bill and stop all this nonsense of trying to load it on to the farmer.

There is no real incentive for the farmer to produce grain now than with the planned upsurge in freight charges, that would kill it for sure. With all agriculture products that are on the free market system at 30 to 50 percent of the cost of production, the economy is suffering severely and many people thrown out of work because unpaid farmers have no purchasing power.

For any government to even consider inflicting more hardships on us at this time is outrageous. We must not be charged anymore than Crow. Respectfully submitted.

MR. CHAIRMAN: Thank you, Mr. Riley.

Are there any questions for Mr. Riley from members of the committee? Seeing none, Mr. Riley, thank you very much for appearing here tonight.

Mr. Allan Riley.

MR. A. RILEY: Mr. Chairman and members of the committee, I'm speaking as a concerned farmer.

Thank you for allowing me the opportunity to let you know how I feel about the proposed robbery of Western

Canadian farmers. At a time when farmers are desperately trying to hang on and keep from going bankrupt, the Federal Government proposes to shift the responsibility for shifting grain from the railroads to us, the farmers. The railroads of this country have defied the law for many years now and the response from our Federal Government is to give them more subsidies, allow them to abandon more lines, buy them more grain cars and give them free rein to gouge us in the bargain.

The railroads of this country are required by law to provide adequate rolling stock for the transportation of grain. They have not bought a rail car since 1948. They were given subsidies to maintain branch lines and these they diverted to more lucrative ventures in their many subsidiaries. They have hired various corporate study groups to show their supposedly losing money, and yet they have never opened their books for public scrutiny. Not only are they likely not losing money, but very probably they have and continue to make vast profits on the backs of Canadians, and particularly farmers.

In 1974 I received a response from Otto Lang stating I would likely never see Crow rate change and that it certainly wouldn't change without consensus from Western farmers. However, here we are with no consensus heading into change. There's been no vote taken by Canadian Wheat Board permit book holders on the question, and yet they have deluged us with propaganda on why change is needed.

There have been various farm groups that have campaigned for change without consulting their membership. Such notables as Mac Runsmouth from Grain Growers; Lorne Parker from the Farm Bureau and the entire Pool Board led by first Jim Deveson, and then Wallace Fraser, have vigorously lobbied to sell out their membership. At no point in time have any of these organizations held a vote of their memberships on this issue. Manitoba Pool has stated they were instructed by their membership to lobby for change. This is not so because it was a resolution put forward by the Pool Board of Directors and it was them that duped the delegates into endorsing a sell-out.

At the meetings held in our area the Pool's position of negotiating was unanimously condemned. In the face of this they still claim to represent Manitoba farmers. I submit they don't represent us on this issue and should be ignored. The people who thoroughly understand freight rate change and all its implications are almost unanimously against any change. The freight increases would be only the tip of the iceberg. There would have to be a massive rebuilding program to upgrade our roads to handle heavy truck traffic. This means correspondingly heavy municipal tax increases.

There would have to be also upgrading of elevator facilities in the major centres in view of the variable freight rates. This would mean increased burdens and costs being passed back to us, the farmers. These changes would also finish the majority of small towns in rural Manitoba. With them would go our community facilities, services, stores and dealerships. This would mean increased travelling not only to haul our grain, but to get the various supplies needed in farming. These results, along with others, have been well forecast by your provincial government departments and a very few farm leaders. Since changes are so unacceptable, farmers must reject them and anyone promoting them.

I would suggest it is the duty of the Provincial Government to demand a vote of permit book holders by the Federal Government and if they will not, then this government should carry out its own plebiscite of those same Canadian Wheat Board permit book holders.

I will be able to tell my children I did all I could to save the Crow and in turn, our family farm. Will you be able to say to yourselves, we did all we could to save our farmers in Manitoba?

MR. CHAIRMAN: Thank you, Mr. Riley. Any questions for Mr. Riley from members of the Committee.

Mr. Uruski.

HON. S. URUSKI: Mr. Riley, you have indicated in your brief that barring other federal action, the Province of Manitoba should conduct a plebiscite of all Canadian Wheat Board permit holders. How would one frame the plebiscite that you are speaking of?

MR. A. RILEY: Do you mean how would you phrase the question?

HON. S. URUSKI: Yes.

MR. A. RILEY: I think it would be fairly simple. Are you in favour of retaining the Crow rate as is, or are you in favour of negotiating future change? Because until there's such consensus that the change is wanted, how can we decide what we want if there is no majority wanting change; then there's no point in setting up what we want, but if a majority says we want to change the Crow rate, then you go about providing proposals.

MR. CHAIRMAN: Further questions?

Mr. Plohman.

HON. J. PLOMAN: What form would you say our request, if we were to take your suggestion that we should ask the Federal Government to conduct this, what form should that request take? I would think that you would feel that this should be a high profile request or just a letter to them, that you feel will get a response from that after all that's been done so far.

MR. T. RILEY: Well there's been various farm groups have said they represent farmers. What simpler way to clear the air than to have a vote, and at such time as that vote is taken, then everything would be cleared up as to whether farmers themselves want change or whether it's the government ramming it down our throats. So it should be vigorously promoted with the Federal Government and if they won't take action because it should be over Western Canada that the vote's taken to be most accurate, but a sample just in Manitoba would give a pretty clear indication.

HON. J. PLOHMAN: Do you view this really as a challenge to their statement that they believe there should be a consensus of Western Canadians supporting any proposals that are there, that this is the most effective way of challenging it, to see whether they're sincere in that regard?

MR. A. RILEY: Absolutely, because they've made the statement they have consensus, and every meeting I've

been to in our area it's been unanimous against any Crow rate change.

MR. CHAIRMAN: Further questions for Mr. Riley? Seeing none, Mr. Riley, thank you very much for being here tonight.

The next person on my list is Claris Nicholson. Mrs. Nicholson please.

MRS. C. NICHOLSON: Mr. Chairman, and Members of the Standing Committee on Agriculture. As a partner in a family farm operation I feel that rural women have a great deal at stake in the struggle to preserve the statutory Crow rate. While agriculture bears the burden of increased costs of production from every angle, as well as declining prices for that production, the Federal Government proposes the destruction of an agreement which has given farmers one opportunity to compete in placing some of their product in a position to market.

This proposed renegotiation of the Crow rate is the most one-sided deal ever perpetrated upon any segment of society. While the railway gets to keep all of the benefits of the original grants, gifts, subsidies, deferred taxes - you name it - plus a guaranteed profit of 20.5 percent, the only guarantee the farmers get is that they will pay more, much more, every year. Every stabilization program for farmers is based on a fraction of costs of production, never full cost; but the Federal Government, being very generous with our money, feels that the railways must have a profit of 20.5 percent, not of the equity the railway has in the business, but of the total equity accumulated from taxpayer handouts.

It would not be very difficult for farmers to show a loss in their operations if profits were siphoned off into other enterprises, to the detriment of upgrading machinery, livestock and farming practices. Yet, Federal Governments have allowed the railways to do just that at the expense of rail lines, equipment, and the entire rail transportation system, with the resulting inefficient movement of grain.

Like many other rural women, I have worked beside my husband and family, trying to keep the family farm a viable operation. Now the loss of the statutory Crow rate could wipe out all those years of struggle to ensure the future of our family farm and a great many other farms like ours.

How can our rural communities survive if almost \$1 million a year is taken out of them? Surely the solution does not lie in unleashing a corporate monster while, at the same time, rendering rural economy defenceless. When you consider the accumulated equity of the taxpayers' subsidies to the CPR, why shouldn't Canadians own their own rail transportation system; they've already paid for it? There is no need to renegotiate the Crow.

Thank you for this opportunity to present my views, and I know I speak for many other rural women.

MR. CHAIRMAN: Thank you, Mrs. Nicholson. Are there any questions?

Mr. Plohman.

HON. J. PLOHMAN: You mentioned that there would be \$1 million per year taken from rural communities, could you just elaborate on that a little bit, as to what

you're referring to in terms of what communities you are talking about? Have you just taken a general statement there, or do you base it on specific situations?

MR. CHAIRMAN: Mrs. Nicholson.

MRS. C. NICHOLSON: With reference to a former speaker who mentioned the 207 permit holders in a community, our community is somewhat in size, the number of permit holders is possible that many or more, and the average would be almost \$1 million that would be siphoned off from that community if we lost the Crow rate.

HON. J. PLOHMAN: Do you feel then, with the financial - I deduct from what you were saying is that, with the financial situation facing the farmers today, with the unemployment situation the way it is in our communities, with the recession and so on, that this change would significantly reduce the family farm, as we know it, and employment in rural areas and communities?

MRS. C. NICHOLSON: Yes, I feel that the result of the added expense of higher freight rates is unbearable, considering our present cost of production. We are now looking at approximately 30 bushel per acre of wheat, at the present price of wheat, as a break even factor. Add about another eight bushels onto that for the extra cost of transportation, and you're looking at 36, 38 bushels to the acre of wheat. How far can we go with this break even factor and still have anything left to put back into the family farm? And, with the resulting diminishing of the family farms, certainly our small towns and communities are going to fold up, too. How can they continue to survive if that money is going out of the community?

HON. J. PLOHMAN: Well certainly we, on this side, are concerned about those changes Mrs. Nicholson. I'm wondering whether you have any suggestions for us? There's been some here today for the committee, for the Provincial Government, in this fight against the changes in the Crow.

MRS. C. NICHOLSON: I think the suggestion of a plebiscite was an excellent one. I would hope that we would have one sponsored by the Federal Government but, if we did not receive any support in that area, I would hope that the Provincial Government would attempt to get the true consensus from the actual farmers. We have so many people who say they are speaking for us. They haven't been listening; they haven't been listening to their membership. For many years we have been trying to tell them that there's no way that the Crow should go and they keep insisting that they have the consensus of farmers, that there must be a change. I think if you got the individual farmer's opinion you would hear a much different story.

MR. CHAIRMAN: Further questions? Mr. Blake.

MR. D. BLAKE: Yes, just one question, Mrs. Nicholson. If we could have a plebiscite, either federally or provincially, on the Crow rate, what percentage of a vote do you think should be considered as a consensus?

MRS. C. NICHOLSON: Well, governments are elected on a 50 percent vote, why not?

MR. D. BLAKE: Mr. Plohman says governments are elected on less than that. Well, we had one leader with 67 percent. He felt that wasn't good enough; he's going to try again. But you would feel on a plebiscite that 52 percent either in favour or against would constitute a consensus for a government to act on?

MRS. C. NICHOLSON: Yes.

MR. D. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Thank you, Mr. Chairman. Claris, I believe you're the second woman that has made a presentation in the last 30 or so briefs that we've had in the five meetings that have taken place. I'm going to make a statement and then I would appreciate your providing some direction. I'm going to make the statement that the awareness of the Crow issue is at a very low level throughout Manitoba. Now, you may want to argue with it, but let's assume that is correct and I think I'm quite correct, regardless of what others may have spoken. I'm going to address the same question to you as I addressed to Ken Sigurdson previously. How would you propose that more Manitobans become aware of the seriousness of this issue and, particularly, how would one address the issue to women?

MRS. C. NICHOLSON: I guess because I have always been involved in the operation of the farm and interested in the economic outcome of it, I just can't understand why women aren't interested in this. You heard one of the former speakers say that probably his wife would have to do without something. Now, this is an age-old story on the farm. How many times is there a decision that has to be made that some necessary equipment is bought or some renovations in the house, and if you're going to keep on farming you know what the decision has to be. Now, this is why I cannot see why more women are not interested, vitally interested, in the economic survival of the family farms. I think probably they are, but people have just developed this sort of reluctance to do anything because they think it's accomplished, like it's fait accompli, there is no hope of doing anything.

We've been living with this for a number of years. There was considerable support at one time, people writing and writing and writing letters and then it all sort of dwindled down and everyone said, well, we can't do anything about it anyway.

At one of the meetings I must dispute Mr. Uskiw's comment that farmers were not interested, people did not show up for the meetings. The hall at Shoal Lake was packed. There were people standing around the outside when there was a meeting there, but how long can you keep up this intense interest in one subject? People have their farms to look after. They have their lives to continue on, and so we leave some of these affairs to our leaders in farm organizations which has proved to have been a very great mistake because they

have not carried the word of the farmer in truth to the conference table. Does that answer your question, Mr. Bucklaschuk?

HON. J. BUCKLASCHUK: From what you have told me, it seems that what you are saying is that while there may have been some interest, and I gather the issue was aimed basically at farmers, their resistance has been worn down and there is sort of general apathy. I believe that, I really do. But it seems to me that one group that has never been addressed with respect to this issue has been farm wives and women. I sometimes wonder whether we're being too myopic when we address ourselves only to farmers or farm wives, when in fact all our rural communities would be affected. I would still like to know how we get at that other half of the population that hasn't been addressed - women.

MR. CHAIRMAN: Do you have any comment on that, Mrs. Nicholson?

MRS. C. NICHOLSON: Yes. Until recently the main thrust has been from farm people. Recently, there has been a campaign instigated whereby farmers have gone to the merchants and business people in the small towns. Now they have suddenly realized that their livelihood is at stake too, and I think this is what we have to point out to women as well. How many women are supporting the farm actually by working in town at some job? Their job is going to be gone too when those towns fold up, and I think you're very right that we should be aiming more at other people other than farmers to get more interest in, well, just the survival of the western economy is what's at stake in total.

MR. CHAIRMAN: Further questions for Mrs. Nicholson? Mr. Plohman.

HON. J. PLOHMAN: Are you suggesting then that we should advertise extensively to provide the facts as we see them?

MRS. C. NICHOLSON: I wish there were some way to get the truth to the media. The media seems to think that anything that is said by one person representing a captive membership is just gospel truth, and yet they don't take any responsibility whatsoever to make sure that it's the truth before it's published over TV, radio, or in the newspaper. I think the media should be held accountable for the statements that are put out to the public. I don't know whether to advise you spend a great deal of money at a time like this when money is so short, but as one of our former speakers said, this is probably one of the most important issues that we are going to face in the agricultural economy.

MR. CHAIRMAN: Further questions for Mrs. Nicholson? Seeing none, Mrs. Nicholson, thank you very much for coming tonight and making your presentation.

Before everyone leaves, there are only a couple of people left on the list. I want to advise you that if you would like to receive a complete set of the transcripts of our seven meetings on this subject throughout the province you can register with the Clerk, and she'll see that you're put on the mailing list. When the transcripts

are complete for all the meetings, they'll be mailed out. I probably should have announced that this afternoon but, of course, I had high hopes everyone was going to come back tonight.

The next name on the list was Mr. John Mitchell. Mr. Mitchell has left but he's left with the Clerk copies of his brief. I'll be raising with the committee at our last meeting the matter of printing all those written briefs that we have received without oral presentation in the final issue of the transcript. Mr. Mitchell had briefs from the RM of Rossburn; the local committee of Manitoba Pool Elevators; and his own personal brief.

The next person on the list then is Alex McWilliams. Mr. McWilliams please.

MR. A. McWILLIAMS: Honourable members, ladies, and gentlemen. I'll try and whiz through this as quickly as I can. Really it's a duplication of what you've been hearing.

I'm President of the Turtle Mountain constituency. Our organization takes a very strong position that the Crow rate for moving grain must not change. That the Crow rate agreement was a binding agreement, whereby the railways, not only acquired the grant of lands which they subsequently turned into cash for the building of the railway branch lines but also for the purchase of affiliated companies.

At this time agriculture is struggling under very adverse economic conditions. Agriculture has always had the load of paying freight both ways, paying the freight to seaboard on their grain, and also the freight on manufactured goods imported from eastern Canada. They also have had to purchase their goods and inputs on a tariff protected market while exporting their farm grown products on an open world market.

In recent years farmers have had the added burden of high priced farm land due to foreign investors inflating land prices and, more recently, the excessive high interest rates is forcing many farmers off their land. Now farmers are facing excessive freight rates, as well. All Canadians, as well as farmers, must say, no, to the freight rate increase.

A very large amount of the taxpayers' money to be spent on the rail system in Canada, and we consider it most essential that this money be used wisely, with the maximum benefit to the public who use the railway, rather than a big profit maker for the railways and their shareholders. For example, we believe it is not wise to spend large volumes of money on the mainline CPR between Calgary and Vancouver.

If the high cost tunneling and double tracking is developed it will turn out mainly to benefit the movement of coal, and other mine products from southeastern B.C. which CPR, themselves, own or are affiliated with, in contract with, and which industry is quite capable of financing their own expansion or improvements.

Further, we also believe that Vancouver can not expand beyond its present capacity. For example, increased railroads in Vancouver; some of the city would have to be dismantled, and the port possibilities could not be expanded as the harbour area is completely in use now. It is also important to know that the grades are much steeper on the CPR mainline, and much worse avalanche conditions, than will be found on the northern route.

We urge this study to recommend that all money being spent in B.C. be spent on the CN line between Edmonton and Prince Rupert. The type of terrain on the northern route will facilitate easy building of a double track while the southern route will require great amounts of blasting and drilling through solid rock, as well as tunneling. It is well to note that the northern route, by comparison, requires a lesser amount of drilling through rock. The cost per mile would be much less and we will have unlimited harbour area at Prince Rupert.

The problems of Alberta has elected to spend money on developing grain handling facilities at Prince Rupert because of the mileage advantage from its greater source of grain, but also because of the much better port facilities at Rupert.

We believe that grain from Calgary can be moved to Prince Rupert by way of Edmonton and Jasper at less cost than from Calgary to Vancouver. The reason being the difference in steepness of the mountain rail grades and the difference in horse power requirements to move given tonnages over the mountains. We recommend, also, that both railway systems to integrate, whenever possible, to upgrade the total capacity. This would especially apply along the Fraser Canyon between Kamloops and Vancouver where the railway line will be used, one each way, with trains following each other by short periods of time, rather than long waiting now in use, waiting for one train to pass before moving on. This particular bottleneck can be corrected without building any new lines.

It is essential that the Provinces of Manitoba and Saskatchewan press for development of the Port of Churchill. It is well-known that with proper docking facilities in the Bay, itself, rather than into the river at present, that grain can be safely moved by ships of modern construction for a period of eight to nine months each year. The shipping distances from most places in Manitoba and Saskatchewan is much less to Churchill than to Thunder Bay and no mountains to cross. At this time much work has been done recently on the line to Churchill. I understand that 100 pound steel has been extended the entire way.

We believe that new welded rails, and permanent ties, and a new method of insulating roadbed construction, whereby the roadbed remains permanently frozen, is showing considerable promise for the boggy areas and the tundra region.

Many of us in Turtle Mountain constituency believe that the use of taxpayers' money, either federal or provincial, would be much better used to update lines of the CNR, while letting the CPR go its own way. It is well to note that when looking at a map of Western Canada that the CN lines follow the areas of heaviest grain production, while the CP lines are more direct east-west mainline and with emphasis on coast-to-coast type cargo.

In conclusion, we emphasize that companies affiliated with the railways, as well as, companies directly owned by the railways, such as, Canada Cement, and Consolidated Mining and Smelting at southern BC, be included in any auditing of railway assets, because the companies or assets were directly purchased by money derived from the sale of land within the Crownsnest Agreement. In other words, the railways realize more money from the sale of land or royalties, or from the royalties on natural resources, than they ever invested in railways.

A closing thought. It is only 125 miles further from Churchill to Liverpool, than from Montreal to Liverpool.

As our position on Crow, Turtle Mountain takes the position that the Crow should not be broken. However, it is determined that, if added money is needed to move grain, we say the Federal Government should fund a subsidy to the Crow as a twice yearly grant based on some determined rate per tonne. That way the railways would have to move the grain to receive the grant, and this way the more grain is moved the greater the grant.

MR. CHAIRMAN: Thank you, Mr. McWilliams. Any questions?

Mr. Downey.

MR. J. DOWNEY: Just a point of clarification, Mr. McWilliams. Who did you say you represented?

MR. A. McWILLIAMS: Turtle Mountain NDP.

MR. J. DOWNEY: Association? You're the President?

MR. A. McWILLIAMS: Yes.

MR. CHAIRMAN: Further questions? Mr. Downey. Anyone else?

Mr. Plohman.

HON. J. PLOHMAN: Yes, just briefly. Do you have, Mr. McWilliams, any suggestions for the way that the Provincial Government should handle this situation from here on?

MR. A. McWILLIAMS: Yes, I'm assuming that this province would be working with other provinces in determining an overall rail policy, and this is why I'm emphasizing B.C. more than in the Manitoba concept.

I'd like to suggest that last year I spent a week with a friend that had been a railroader from B.C. and had to take early retirement because of leukemia. And while there one evening, a couple of carloads of friends came to visit, so for me it was a good opportunity to bend their ears and pick their minds, so we talked railroading and it was them who recommended to me, that the Northern route be emphasized. The Southern route through the CPR that has been emphasized so much now, is very hazardous in the summer months from rock slides - we've known it's had problems with avalanches - but they tell me the worst problem of all is if you have avalanches with rocks mixed in and this is quite frequent there. The Northern route very rarely has this problem and also, that the horsepower requirements are much less.

MR. CHAIRMAN: Further questions? Mr. Harapiak.

MR. H. HARAPIAK: Mr. Chairman, I'd like to thank Mr. McWilliams for promoting the Northern route, because it seems that everybody else seems to have forgotten about the Churchill line, so I'm glad that somebody else besides myself, is promoting it.

MR. D. BLAKE: You promote it every chance, Harry.

MR. A. McWILLIAMS: So do I.

MR. CHAIRMAN: Further questions from Members of the Committee? With the Committee's leave, I have two short questions. Are there any objections? Am I being denied leave, Mr. Downey? Okay. Well I wouldn't want to proceed without permission.

Mr. McWilliams, you mentioned congestion of Vancouver Harbour. I take it you're talking about Berard Inlet area, whereas most of the natural resource exports, coal, potash and sulphur are now moving by unit trains through Roberts Bank. Are you suggesting that Roberts Bank is also at capacity?

MR. A. McWILLIAMS: Well, I can't qualify that. What I'm going by is these railroader friends telling me that we're wrong to think in terms of trying to put more material into Vancouver when it's at its peak now. This is in terms of grain.

At the present time, or as of a year ago, each railway has its own line on either side of Fraser Canyon and they're trying to go both ways on each line. Instead, they'd be much better to agree and one go east and one go west and run the trains every few minutes. This can be done and is frequently done and is emphasized where double tracking takes place. But this is what they tell me, to increase anymore grain in there we'd have to dismantle the city to do it.

MR. CHAIRMAN: So what you're suggesting then, if I interpret you correctly and I'd like you to confirm this, is that any improvements in the Fraser Canyon and Rogers Pass then are not going to be designed primarily for grain because of the terminal capacity limits. They're going to be designed to haul greater natural resource cargos to Roberts Bank.

MR. A. McWILLIAMS: Well yes, from Kamloops, both rail lines converge there and from there into Vancouver, they're in Fraser Canyon. They just can't handle anymore, and I think at the present time there's less than 10 percent of total tonnage is actually grain and if we upgrade it and double track it, it'll improve the facilities for coal and other minerals, but is not going to benefit grain all that much. Their idea is that we're better to use our taxpayers' dollar going the Jasper route.

MR. CHAIRMAN: Thank you, Mr. McWilliams. Any further questions? Thank you very much, Mr. McWilliams, for appearing here tonight.

Mr. Ian Robson.

MR. I. ROBSON: Thank you, Mr. Chairman, and committee members. I farm out at Deleau, Manitoba and my submission is going to consist of a projection based on the Snavely Commission that I have copies of, and a few comments on some of the proceedings so far, and I hope some suggestions may happen from this Committee.

The effects of Crow change on Souris, Manitoba for the crop year 1979-80, if the 1979-80 crop year is evaluated, as though the railways received the Snavely compensatory rate of 5.1 times the Crow, as a comparison to what may happen if the railways make the government increase the rates, it goes as follows: The handle those years was 1.25 million bushels. If you

use for calculation, 50-lb. bushels, there are approximately 100 permit holders. The Crow rate to Thunder Bay is 17 cents cwt. or 8.5 cents a bushel.

The cost to Souris presently on the Crow is \$106,250, roughly. The Snavelly cost is 5.1 times that, that's \$541,875, so to speak. Now on the average permit it's approximately 12,500 bushels shipped at a cost of \$1,062.00. Under Snavelly that's a cost to the producer of \$5,418.00. The Crow rate would go from 17 cents cwt. to 86.7 cents cwt. or 43.35 cents a bushel. Souris would then be losing \$435,625 and just by comment, there's been suggestions that communities would lose close to \$1 million. If you consider that each dollar coming in turns around two or three times, it's easy to see that. Or if you turn and use, instead of the 5.1 times, if you use the rates that are comparable to non-Crow crops, those rates are in the neighbourhood of seven and eight times Crow right now on Fababeans, for instance. Each permit holder in the Souris area would lose on the average of \$4,056.00. So as a producer I'm trying to figure out a way to recover that loss. So I listed three plans.

Plan A: Keep the Crow because of the implications found in Plan B and C. The need is also great to keep an elevator system and a rail system without variable freight rates.

So therefore, Plan B: If bushels can be produced at no cost of production and sold for \$6 to recover the loss, then your loss is \$4,356, if you divide that by \$6, then you need 726 extra bushels from somewhere. You need to be that much more efficient at the combine, or borrow it from the PIK Program, or find it in the neighbour's grain bin, and I don't think that's a very good idea. Another thing, \$6 a bushel is a rather exorbitant level through valuing your grain.

Plan C: Each bushel produced has a rail transportation expense associated to its cost of production. Producing and selling more bushels is the only way so far allowed that can offer the possibility of returning that \$4,356 loss. Therefore you divide your loss by the new freight rate, which should be the 43.35 cents, that means that you need to produce on the same land, another 10,000 bushels.

Now it's possible, it's been suggested, that you can grow a higher yielding, lower quality crop and I think given the recommendations from the Grain Commission and the Wheat Board. It's difficult to say that Canada would be competitive in the world market on the basis of these inferior crops. Now, that's my written brief.

I have a few comments that follow along on the proceedings today. I notice that the hour may be late, but a lot of us here ride the tractor more hours than this, plus they look after the livestock when they get off the tractor. I notice looking around that Lorne Parker is not here and he claims to speak for farmers. He is not listening to these presentations, nor is the media.

I'm wondering also about the Farm Bureau representation. There are a lot of duplicates of memberships; Mr. Parker admitted that. It's been stated everywhere in the news media that it's not possible for the railways to make a profit moving grain. I don't know that's really a concern of farmers. We look at the situation of the railway companies and we know that they're making money. Why don't we just leave the sentence at that, where does the grain problem come into the issue when we know that this year they've

moved record volumes? Even in the history of the railways in their boxcar shipping, it was possible to move vast amounts of grain in a short period of time in the harvest and lose farmers' money in the process because they won't lower our prices, which generally has been the case in the fall.

There were comments made about the Federal Government and governments owning rail cars. It's interesting to note that American co-operative elevator companies and other elevator companies own their own rail cars, and even at that they get rather poor service and have to depend on trucking for a long distance in the States.

There were questions brought up regarding the establishing of elevator handling charges by some of your commission. It should be noted that the problem of elevator handling and grain transportation was dealt with by farmers during the turmoil of the war years and the years following the war up until 1925, when farmers fought to re-establish the Crow rate. I think that's important because farmers did re-establish the Crow rates in 1925 through an Act of Parliament, farmer controlled MPs.

With respect to the elevator companies, during that turmoil, the Manitoba Government established a grain handling company - a Progressive government at the time. The Federal Government disallowed that because of the constitutional Act in place at the time. It's highly visual that, had that company been allowed to remain, it's possible we'd have more fair elevator handling system in place at present.

There's been very little mentioned of railway management procedures. I think there's possibly a reason for that. A lot of people know people who work on the railways and you hear rather amazing stories coming out of what's going on in the railway. The management of those companies need to really bone themselves up, because they're coming up with statements in the press that claim to be losing money yet we know that, through their management indecisions, they're losing money now. You should make the comparison as to . . .

MR. CHAIRMAN: Order please. Can we take a one minute recess, so we can change the tape again just as we had to do this afternoon? I'm sorry to cut you off in midstream. I think we're just about out on the master tape.

Order please. Would you continue please, Mr. Robson?

MR. I. ROBSON: Thank you. Just to pick up where we were, I wanted to emphasize that it is definitely a management problem in the railways. There are two sets of management involved, which is inefficient. That's not to say that the people are not needed. There's probably a need for the people. It's not to say that the workers are inefficient, it's how the time has been given to the workers to be used. That comes through the ownership of the company and the purpose to which the company was to be directed. That purpose of the company should be as is stated in the Act that farmers established in 1925 was that the Crow rates are what benefits western agriculture.

It's been stated of course that the railways are losing money, but it's never an important statement to suggest

that the farmers should make money. That seems to get lost in the whole effort - this Crow change.

I'd like to suggest that attendance at Crow meetings, there is a lot of apathy basically because people are more interested in curling, and rightly so. A dry issue like this, I mean, if they're not aware of it they're going to get snowed. I think that they have to be made aware of what the effect of this change is going have on them. I've showed this brief to a number of merchants around Souris and they've never seen any presentation in actual writing of what this is going to mean to Souris. They were rather impressed.

I'd like to suggest that the systems that were proposed of paying the producer or paying a subsidy is part of the changing plan that Pepin is suggesting. To pay the producer means that the money might be in your hand for a little while, but it's gone. It goes right through your hands and it's not there. So it is a direct loss. Producers are not going to be in the same financial situation. It's the same as having \$12 flax and not having any flax - you consider that you've lost that.

So I think an advertising campaign directed to suggest what the effects of these changes are; a vote; plebiscite. I think also that even more drastic action such as expropriating the property that belongs to the railway companies in Manitoba. You might laugh, that's okay, the Federal Government would disallow that. I don't care, I think you should do that anyway and let them disallow it. Put it through the system because it's a very serious change that's coming about.

One of the things that's helped to maintain farmers is the Crow rate, which is an effective mechanism that stops inflation. Inflation is something that is generated by somebody else's demand to have more. So I would say, keep the Crow.

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

Mr. Plohman.

HON. J. PLOHMAN: Mr. Robson, you may have just heard that the Souris Valley Farm Business Association just made a presentation - I guess Mr. Howe and Mr. Maguire - and they generally thought that we're not too critical about the proposals. They had some changes that they thought were there, but generally thought it was going to be good for Souris is what I gathered from their presentation. You're saying it's going to cost the average permit holder \$4,000 a year. What do you think about the position of the Farm Business Association with regard to the Pepin proposal?

MR. I. ROBSON: The position of the Farm Business Association, I think, is one that's generated with as much information as they have; in other words, incomplete information. Even my information, the information that any one of these positions put forward today is generated with incomplete information, and I think if you take a total of what's happened here today that you probably have a pretty good story of the effect of what's going to happen on the Crow. I think the evidence is heavily in favour of not allowing Pepin to make his change.

HON. J. PLOHMAN: Well, if you're correct that it's going to cost over \$4,000 per permit holder, can you

conceive in any way that anyone could possibly say it's going to be good for the farm community, the business community and rural communities in general?

MR. I. ROBSON: The present proposal being good in any way?

HON. J. PLOHMAN: People are saying that.

MR. I. ROBSON: No, I think not. I should mention one of the questions asked of the Farm Bureau this afternoon was, what were the alternatives to a solution to the problem of grain transportation if indeed there is a problem and, you know, I would think maybe there is. We have through the Wheat Board purchased grain cars; we have already through the Federal Government and the Provincial Government purchased cars, made subsidies to the railways. In fact, the taxpayers really own the railways since you can say that they're the major investors. Now, I see a problem being that the shareholders claim that they're losing money in hauling grain, I should point out. I should make it very clear that they're claiming they're losing money hauling grain, because we know they're making money on everywhere else. So, what I'm saying is that, no, there would be no benefit from this program.

The alternative then is, as I have suggested, just to unite the railways in one management system and maintain the Crow level. The Crow level, also, it's not just a rate; it's a grain collection system. It means that there are no variable rates. It means that the farmers have a fair and equitable opportunity to deliver their crop throughout the countryside when the quotas come in place. I think that ties into what some of the previous speakers have said, notably Brad MacDonald and Ken Sigurdson.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: That's good.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, to Mr. Robson, I have a little difficulty with one of the answers that you gave dealing with the fact that if the farmers were to receive the money directly to them for Crow benefit payment, that somehow that money would disappear in a way which would not help the Town of Souris or their rural community, but if that money were to come in grain or less amount of money spent on transportation, that money would somehow be used differently. How can you differentiate between the different ways in which money is going to be spent in the community? How could the money that comes from the railroad - or why would it be used for Crow benefit payment - why would it be used differently than money that would come from the sale of grain?

MR. I. ROBSON: You're saying less - a lower freight rate? You said a lower . . .

MR. J. DOWNEY: No, the answers that you gave, and I just want to be clear, you indicated, and it was a question dealing with the direct payment to farmers of

the Crow benefit, if that money were to go directly to the farmers, you indicated, I believe, unless I misunderstood you, that some way that money would disappear into the air or it would just go for some particular purpose, it would not benefit the Town of Souris or that surrounding community; it would just seem to disappear; whereas, if you were to get that money from the sale of grain, that it would in fact be spent in a more meaningful way. How can you differentiate between the way in which those two different sums of money are going to be spent?

MR. I. ROBSON: There are a lot of people who are against subsidy programs, and the thing with the subsidy as proposed to pay the producer is exactly that. It's a subsidy to the producer so that you can somehow pay the railways or pay the trucker to move the grain. Therefore . . .

MR. J. DOWNEY: Or do whatever he likes.

MR. I. ROBSON: Well, you know, you have to be a grain producer to have a subsidy; therefore, you get the subsidy. The idea is that you would use the subsidy to move your grain. I mean, you don't want to sit on your grain. At least, that's the assumption that you're suggesting. So what I'm saying is that subsidy goes straight through your hands and ends up in the railway's pocket and it doesn't evaporate into thin air; it ends up in the railway's pocket.

MR. J. DOWNEY: You made reference to the fact that at one time there was a government owned grain company in the province. Did you make reference to the fact that the Federal Government ruled it out as being unconstitutional, is that what you indicated?

MR. I. ROBSON: That's correct. It's along that general gist of occurrence.

MR. J. DOWNEY: Where did you get that information, just for clarification sake?

MR. I. ROBSON: I'm sure if you look through the government records of Hansard during the Bracken years and during the 'teens and the '20s, you'll find that information.

MR. J. DOWNEY: I'm aware of the fact that the government was in the grain business, but I actually thought it went broke because it didn't have the ability to stay in business because of a lack of income and that type of thing.

MR. I. ROBSON: The constitutional amendments, The BNA Act, ruled the Manitoba Government out of order.

MR. J. DOWNEY: Did you further suggest, Mr. Robson, that the government should get back into the ownership of elevators and the operation of grain line business in Manitoba?

MR. I. ROBSON: No, I did not suggest that. I suggested that it's possible that had that government facility remained in place, that in likelihood, with hindsight,

you can suggest that we'd have a better grain handling system.

MR. J. DOWNEY: You're suggesting we would have a better grain handling system?

MR. I. DOBSON: It's possible. There would be more systems maintained. What I'm suggesting is that through the government grain handling system that would have been established at the time and presently through - what I'm suggesting is a government rail transportation system - the taxpayer would benefit from the money that comes into this country through grain sales. Those are real dollars earned to this country on grain sales. What I'm saying is that money that benefits Canada; the institution that handles the grain - the grain handling companies and the railways - should be maintained by the taxpayers. I would be glad to pay through the taxes to have an efficiently managed railway handling company.

MR. J. DOWNEY: Mr. Chairman, in other words, Mr. Robson is suggesting that a government operated elevator company could work better than a farmer-owned co-op elevator company that we now have?

MR. I. ROBSON: No I didn't suggest that.

MR. J. DOWNEY: I wanted to be clear on that because you were leaving me with the impression that if the government had continued on with that business that it would have been better than the farmer-owned elevator co-ops.

MR. I. ROBSON: Okay in that case, I'm suggesting that it's possible.

MR. CHAIRMAN: Any further questions for Mr. Robson? Seeing none, Mr. Robson, thank you for waiting out the long hours and presenting your brief tonight.

Last, but not least, Mr. Henry Rempel please. Please proceed, Mr. Rempel.

MR. H. REMPEL: I'm Henry Rempel. I farm at Plumas, Manitoba together with my wife and my son on 960 acres of medium quality land, about 800 of that is on the permit book; we're in the grain and beef business. We normally sell grain from about 200-250 acres. We feed the rest of it and we use a lot of our land for forage in crop rotation.

Before I start with my brief that I gave you a copy of, I made a few notes this morning and I'll go through that. I can sit back and really enjoy proceedings, getting up here to talk is something else. However, I appreciate the opportunity to present a short brief on the subject being dealt with.

Western farmers are divided along two basic lines on this; those that promote no change and those that recognize the need for change. Those of us that recognize the need for change have essentially the same goal in mind. We really have the same objectives but we differ on how to best arrive at our common goal. The interest of my presentation is to explain why I oppose payment to the producers, and I will be doing

so with great difficulty. If I go off this subject, please remember that's really all I'm talking about, I'm trying to say is I like to make my points on why I oppose payment to the producer.

I really have a problem with speaking and getting my point across which is telling you that my point is that producer payments are not the way to go. Maybe your questions later on can help me.

I made just a couple of notes here, I thought maybe I would touch them before I went into the brief. I should say that the Manitoba Farm Bureau - and I'm sorry that Mr. Parker couldn't sit it out with us.

MR. CHAIRMAN: We'll send him a copy of your brief.

MR. H. REMPEL: He has had copies of some of my other briefs before and concerns, but if he, and Mr. Chambers, is speaking for us, I think they should sit us out. I am okay politically, if it matters or not; I have voted for all three parties provincially and federally, as I saw the occasion to do so, so I'm quite neutral that way. Other than that, I am with the United Grain Growers and I'm on the local board and I'm the secretary of that local board. We had our local annual meeting a few days ago. Our turnouts are never great; we had nine of them and that's a pretty good showing for us at our local meeting. We had a representative in from Grain Growers in Winnipeg and one from Minnedosa.

In spite of what they say at Plumas, you cannot find a farmer that is in favour of producer payments and at this meeting there was not one that spoke in favour of producer payments. That's not to say that the Grain Growers don't have a valid point in saying what they do say, but we do have our difference with United Grain Growers. When Alan Chambers was speaking here - he's on our MCPA. Most of the members of the Manitoba Cattle Producers Association are also grain farmers. A little bit of slippage there, when he says that he's talking for the beef producers; I'm a beef producer, I make more of my living from beef than I do from grain.

I'd just like to comment on one thing that Ken Sigurdson said, that most farmers want to keep the Crow. I really do not find this the case. Most farmers are prepared and recognize that they have to pay more but then, again, maybe I'm looking at it through a different view. I say that most do not want producer payments.

There's a comment on media coverage. They're not here either so it doesn't matter, but as you say if it does go on the record, when Harry Hayes and that committee were sitting in Portage a couple of years ago, there were a number of very valid briefs presented. It wasn't as long a hearing as this, it was in the afternoon and some of the news media were there. Charlie Mair slept in for 15 minutes and when the news clips came out on T.V., he was just in from Ottawa and he explained that he'd just dropped in to say hello and see how things were going and hope all goes well, etc.; when the news clips came out Charlie Mair was the only one that was quoted. We had about 10 briefs there and there were people that put a lot of effort into their briefs. So much for news media.

Now Larry Maguire, he seems to favour paying the producer. You gentlemen in government really have a

problem. You're listening to all of us and you have to make a judgment. You really don't have a consensus because I'll tell you something different. You hear 18 of us speaking, you get maybe 27 different views. Anyhow, on his payment to the producer he says he likes the option of feeding or selling his barley. Well, as far as I'm concerned, we're making a management decision right now. Our barley, here they tell us something, but they don't tell us everything. The initial payment in barley is going down 33 cents on the Wheat Board; freight will be another 16 cents or so; 16 cents will come off our cash ticket. We're supposed to get some back but we don't know how or why, nevertheless, we're looking at \$2.10 at the elevator today. On the Wheat Board, we're going to look at about \$1.65 on this. We're already producing a lot less barley in 1983. I can assure all of us down there just because of that. So, so much for cheap barley production for the beef industry.

Somebody mentioned, I think, yes it was in the Souris area too about the number of trucks being used. Well, it does seem as if trucks are being used an awful lot to move grain but really when you put the tonnage figures down in percentage, it is very small. It's really something that you'd even care to talk about.

Okay, yes I did get this also after I finished writing my brief, I read it and there isn't much in there but there's more in what they don't tell us here. This is what they mail out to us every week as a permit holder.

A gentleman there had something, and I looked at it, and it's a supplement to the Winnipeg Free Press, the Brandon Sun, to the Winnipeg Sun. I did some phoning around and enquired of the farm papers and they said no. Farm papers are not going to be carrying that supplement. We picked up the Western Producer this morning, it's not in there. We're going to pick up our Co-Operator tomorrow. They are not speaking to the farmers on it.

But the other thing, they say, what the farmer will pay is right on there. What all this means, that in the 1983-84 crop year the producer will pay on the average 15 cents to ship his bushel of wheat compared to 13 cents at present.

Now we work in different tonnage rates and if we want to split hairs I could be wrong by a cent or two but I was using this. It was in the Western Producer, also in the Co-Operator and put out by Alberta Wheat Pool using Pepin's figures.

We are going to be paying 35 cents to ship a bushel of wheat as against 13 cents now - this is on August 1st - if this goes through. In 1985-86 they say we will pay 25 cents but it will be 53 cents. In 1990 in a crop year we will be paying 91 cents to ship our wheat.

Okay, so we're going to get something back. But I think the point that I'd like to make, and why I don't like producer payments on this and it's a good illustration, is I'm going to make my management decision on what shows up on my cash ticket. If I get 25 or 30 cents a bushel in my pocket or \$10 an acre - and I did run some figures - for the crops that we raise on our land, to offset this - this is in three different charts and they show the value of our acreage payments. The value of our acreage payment has to be between \$8 and \$10 an acre just to cover average crops. We're not going to get \$8 and \$10 an acre, so there will be a fair bit of slippage there. So we will be

deciding what we grow and what we do based on what we get on our cash ticket at the elevator.

Once I've got my acreage payment, as I say on 800 acres, if it's \$8 an acre, \$5,000, I'm not going to throw \$5,000 of good money after bad money. That's in my pocket. If that means growing barley that's costing me \$1.80 a bushel to sell for \$1.30 to some feedlot operator, I'm not going to do it. It's as simple as that because I've got the 50 cents already. I don't have to do a damn thing for 50 cents but I've got that, and I can't grow \$1.30 barley, so that is in effect what I will be doing, I'll be growing \$1.30 barley. Now I'll try and get on the subject. Sorry, gentlemen it's late.

Okay, in light of discussions and debates in the last few months I would like to address what I consider the main points on the grain freight rate issue.

I accept that the producers share of freight costs must be adjusted in recognition of inflation. I am not all that concerned about all the fine points such as the 31.1 cap. etc. The importance of grain exports to the Canadian economy ensures that its viability will be maintained.

If you understand, I really don't think that they're going to let us sink no matter what. When my father came to this country 50 years ago, 60 years ago with nothing, we've had ups and downs. I've farmed a lot and I've had ups and downs. Whatever the decision is we're going to be with it.

Of concern to me is the method of payment. I am against payment to the producer. We should determine the producer freight rate increase. The government's share should go directly to the railways and in much less generous terms than suggested.

What exactly is payment to the producer, as some groups favour? It means that the farmer who ships grain pays a lot more in freight. All farmers whether they ship grain or not then share in a government handout for no apparent need or reason. And who can suggest a fair way of sharing these free floating tax dollars. The Crow rate has done reasonably well in helping Canada become a major producer and exporter of grain but the time to adjust for inflation is long overdue and we should do so in the least disruptive manner.

Mainly we hear from two very active minorities. Those that promote "no change" have an open and shut case. What more can you say? You keep the Crow and really there's no discussion on that point.

I would however suggest that we closely examine all those that favour "Pay the Producer" and question their motives. These people have some real motherhood issues.

"Resource Neutrality" is a mirage at best - you never catch up with it. And do you honestly think that the producer payments will erase east-west disparities?

Incidentally when I was working on this that word will still be used. I think it's gone out of style now. Nobody uses it. I was in to Pepin's office yesterday and I managed to get hold of an easterner on that and I asked him about this. I said, who are you kidding? East-west disparities. They're not going to let the east down, they'll give them offsetting benefits. This fellow said, we don't talk about east-west disparities in here. There is no such thing. That's not part of the Crow.

The Palliser use this all the time. Until quite recently they used the east-west disparities but they dropped

it. Is this, the east-west disparities, is this a political possibility? Is there really a pot of gold at the end of this rainbow for the Palliser group and the beef producers? Low grain prices will save the western feedlot operators. For one or two years maybe beef would be profitable. Then how do we react? Think back a few years. Low grain prices were followed by years of distress in beef and pork.

MCPA Allan Chambers - and I didn't know that he was going to be here either - but I read this in the paper. He suggests that this year the Crow rate in effect costs western feed grain users almost 50 cents a bushel. The non-board price of barley today, April 18th, is \$1.65 a bushel. It was around \$1.80 most of the winter. Have you considered the management decision that \$1.30 barley would trigger? Feeder and calf prices would be higher. More heifers would be held back as replacements. Cull cows would be bid up by the "in and outers" in a rush attempt to get into beef. It happened before. The last time around I put 30 cows in the truck into Winnipeg to go into the yards, in the auction ring. One cow had a disability and all the others went back into the breeding herd. They were cull herds, 30 out of 165. So that's what happens when you get low grain prices, in a rush attempt to get into beef. It's happened before. Where does this leave the feedlot operator who is saving \$40 on grain and paying \$60 more for feeders? And would the cow-calf man think back and cash in at the top of the market? This is not very likely. In a short time we would be producing 110 percent at a loss instead of 90 percent at a profit. Many of today's tragic farm bankruptcies are because this principle is ignored.

And what about special crops and resource neutrality? Special crops have developed remarkably well during a period in time when grain freight rates had all the benefits of inflation. This would indicate that grain does need some freight assistance to ensure its viability. Any undue incentive to expend on special crops could prove costly. And when you mention resource neutrality, how about grain quota privileges and all those special crop acres. Ask the grain producer if he views this as resource neutrality or, for that matter, how do we view these low grazing releases that some of the ranchers enjoy. My fertilizer and taxes on my grazing acre is higher than what they pay; so, is that neutrality?

I oppose producer payments because it will result in another very costly government function and there is no way to put fairness and equality into it. It will, in effect, place a penalty on every bushel of grain shipped and upset our production pattern too dramatically. To suggest that this will give farmers more clout in dealing with the railways and elevators is but a dream. The bulk of our export bring us but one way to go, and it's into the elevator and into the boxcar.

To me, acreage payments will become a separate book entry. It really has nothing to do with my grain enterprise because I get it in spite of what I do.

The economics of producing grain are solely based on my net returns on my cash ticket. I will not produce feedlot barley for \$1.30 per bushel and tell myself that I'm really getting \$1.80, and these figures are quoted for the Farm Bureau figures. I do not have to spend a cent to get 50 cents, but it may cost me \$1.80 to produce a bushel that I can sell for only \$1.30.

We should be dealing with the matter of grain freight rate increase. All other issues are apart and should be dealt with each on its own merit. So, now the Crow is responsible for the dismal state of the western economy and, if it did create all these western disparities, it then follows that the rest of Canada has a booming economy. I think Ontario has more agricultural problems than we have. On the news today - and just while I was writing this I had the radio on - B.C. said they'd love to see the Crow package pass; they say it will be tremendous for their coal and forestry and there's really nothing wrong with that, either, but they weren't talking about the grain farmer.

Who created this great dream that Pepin and Gilson were instructed to sell? As far as Pepin, he does what he's told and Mr. Gilson, you could hire him to promote anything. Nothing against the man, you know, he's an economist and really those gentlemen came out with a pretty clear-cut way of which to go, and would you expect an economist to come up with something simple; there's just no way, it's against their philosophy, they can't do that. Yes, who created this great dream that Pepin and Gilson were instructed to sell? Pepin came in with such tremendous enthusiasm that it's almost heartbreaking to think that farmers would actually do otherwise than applaud and cheer him on. Did you see him on T.V. when he made that announcement? You know, just like a kid that's seen something for the first time ever, you know, take him to Disneyland, that's Pepin coming out West. He's got this tremendous package for us, but what is he proposing?

Well, we've got to have something to laugh about at this stage. — (Interjection) — That's right. You know I offered my son \$100 to come and read this for me. The young fellow's only two years out of school, and he's got no problem because he knows everything now and he could have done a damn good job for me.

What is he proposing:

1. A general subsidy, somehow supposedly based on acreage, nothing definite and nothing specific. Will it come to 20 cents a bushel of wheat and on whose production unit; why the delay in the figure?

I have placed a number of calls to his different Ottawa numbers and in Pepin's office they would tell you nothing on this. I tried Trudeau three times; I tried various times and you don't talk to anybody in Trudeau's office. The first thing they ask you, what do you want to do and they throw a switch and say, yes, Mr. Pepin's office. I said, no, I don't want to talk to Mr. Pepin, I want to talk to somebody that may possibly talk to Mr. Trudeau because I want to tell him that I don't think Pepin is hearing what we want to say out here. Then I rang through, first of all, I tried to call collect; you don't call Ottawa collect. You don't always get the same switchboard operator either, so I knew I had some chances but it was the same: what's your subject? The Crow rate - Pepin's office. Always in French, until I answered in German, then they were stuck, they came back in English then.

2. Higher grain freight rates - the more we sell the more we pay, the more we dilute the value of our acreage payments. This could result in a dramatic production shift and harm our export potential.

3. To the railroads he's offering a very generous package. The government goodies are not tied to actual grain volume moved. You know, I may be wrong in this

because I heard something mentioned today that it was related to volume moved. I was of a different opinion.

I'm not opposed to the railways getting a fair price for movement of grain, but when we look at what the government is offering, then we have reason for concern. No doubt the Government of Canada is interested in and prepared to assist financially in getting prairie grain to export position. I would suggest that any and all railway payments be directly limited to so much money per tonne of grain and leave the railway free and responsible from there on.

Under the circumstances this is as close as we can come to the free enterprise system, and I'm assuming that all the pay-the-producer groups bear the free enterprise stamp.

My point is that direct payment to the railway will be the least disruptive and may find acceptance in Eastern Canada. It may be a smoother road toward our mutual goal. We may also appreciate its flexibility a few years down the road. Pepin's dream of today could turn into tomorrow's nightmare. The government has been known to change course somewhere along the line. I would suggest that we keep our options open on this one, and that's all.

Thank you, gentlemen.

MR. CHAIRMAN: Thank you, Mr. Penner. Are there any questions for Mr. Penner from members of the committee - why did I say Penner?

MR. H. REMPEL: After I bring you the name, something along that line. Most of the time it comes out Friesen, you know.

MR. CHAIRMAN: I have too many Penners in my constituency in Springfield, I guess. Mr. Rempel, any questions?

HON. B. URUSKI: Mr. Chairman, I would only, I think on behalf of the committee, like to thank Mr. Rempel for his analysis on costing on producer payments and the like. I think it was a job well done.

Thank you very much.

MR. J. DOWNEY: And entertaining, too.

MR. CHAIRMAN: Any further questions? Mr. Rempel, on behalf of the committee, I would like to, personally, thank you as well because I'm very impressed with the analysis you've done; I concur in the Minister's comments and, on behalf of the committee, I'd like to thank you for coming here tonight and bearing with us to such a late hour, being the last one on the list.

MR. H. REMPEL: May I have one comment?

MR. CHAIRMAN: Certainly.

MR. H. REMPEL: Leafing through this, I did forget this one thing here. I cut this out of the Western Producer. It's an Alberta Wheat Pool issue. It shows the freight and how it goes and I put my inked figures in there. This was a March 24th issue. It also appeared on Page 4 in the Manitoba Co-operator a week later, March 31st, somewhere farther back in the paper.

I waited a full two weeks and since the Crow rate discussions have been on I have never passed a farmer on the street, whether I knew him or not, that I didn't buttonhole him on some question on that. You talk about the problem of communicating with farmers. My finding has been that 95 percent of the farmers are not aware of this issue to the extent that they have any input. I don't think there's too much wrong with it. I think a farmer has a fair bit on his hands. He's farming and he should be thinking of curling and he should be thinking of golf and things like that, and then go out and farm.

You know we have people that do our mechanical work. We have politicians to make our decisions. It's your responsibility to make a good one. But I asked them, and nobody saw this issue, nobody knew, nobody knew what their grain freight rates were going to be on August 1st, so there's your problem with farmers. It's really not all that bad. I sometimes wish I was as unconcerned as the majority of them, because it's a lot easier. Thank you.

MR. CHAIRMAN: I would like to thank everyone who has put up with our taking so long in asking questions and bearing with us to such a late hour. There's no further business for the Committee, so I declare the Committee meeting adjourned until 10:00 a.m. tomorrow morning, in Arborg.

BRIEFS PRESENTED BUT NOT READ RESOLUTION FROM VILLAGE OF ROSSBURN

April 19, 1983.

Moved by Councillor Smycnuik
Seconded by Councillor Caldwell

WHEREAS proposed changes in the Crow rate by the Federal Government would not only have a devastating impact on the farmer but also a serious financial implication to the entire community. NOW THEREFORE BE IT RESOLVED by the Council of the Village of Rossburn as follows:

- (a) THAT we strongly reject any proposal to replace the Statute for the farmer with a Statute for the railway.
- (b) THAT the present Crow rate with its guarantee of equal rate for equal distance and its fixed rate for the farmer be maintained.

CARRIED UNANIMOUSLY

I, Leonard A. Mackedenski, Secretary-Treasurer of the Village of Rossburn, hereby certify the foregoing to be a true and correct copy of a resolution of the said Village, passed by the Council thereof Thursday, March 25th, 1982.

SUBMISSION BY ERICKSON LOCAL MANITOBA POOL ELEVATOR COMMITTEE STANDING COMMITTEE ON AGRICULTURE

Dear Members:

As Chairman of our Erickson Local Manitoba Pool Elevator Committee, I would like to leave with the

Standing Committee on Agriculture a resolution passed at a membership meeting held at Erickson in February

"WHEREAS the Pepin proposal has shown the Federal Government's unwillingness to compromise on freight rate;

"THEREFORE BE IT RESOLVED that Manitoba Pool Elevator change their position and support the Crow rate as it presently exists."

Our local plant committee passed a motion similar to this prior to the February meeting. Our local Board position is that with any increase in freight rates this would create an extra burden to the grain farmer; also it could lead to abandonment of railways, loss of revenue to small business places in these areas. We recognize some position of farm organization but we wonder if they are speaking on behalf of the grassroots members. Members of our local Board at Erickson certainly realize that our delegates do not represent the position of our members there. It is our hope that the Federal Minister of Agriculture and any other people involved during the Crow rate talks consider that any increase at this time when there is a concern as to the future of the grain industry in this country could be very devastating.

Emil Shellborn
Chairman, Erickson Pool Committee

MANITOBA POOL ELEVATORS THE STANDING COMMITTEE ON TRANSPORTATION of the Manitoba Legislative Assembly

Honourable members of the committee, it is a pleasure to be able to appear before you on the issue at hand.

From the reports of the Legislative Assembly, you members are of the opinion that the day of a major increase in grain freight rates is unfounded. We, as the elected members of the Rossburn Sub-district Council of Manitoba Pool Elevators also believe that the agricultural community cannot pay anymore grain freight. When you look at freight rates, in general, the agricultural communities are paying the total freight on machinery, fuel, repair parts, automobiles and trucks. We have to bring this equipment into our areas so as to be able to produce the crops and goods that are needed to feed the people of our country and the world.

Members of the committee, we say that we, as the agricultural segment of Canada, should not be asked to carry the total costs of the transportation system of Canada. Agriculture provides the back bone of a good standard of living. Agriculture has been, and is being, strangled by policies which are detrimental to the development and maintenance of a good standard of living.

Not only will increased grain freight rates be a hardship on farmers at the present time, due to low grain prices, but also to our rural towns and villages, due to the fact that the extra money paid for freight would not be available to be spent in these communities.

Honourable members, you must realize that the business places (implement dealers, grocery stores, hardware stores, etc.) are having a difficult time of it now due to the shortage of money spent in the communities, and if the flow of monies is reduced in these communities because of higher freight rates to farmers, it could mean the end of these businesses and towns, thus forcing these people to move into our now over-populated cities seeking employment and adding numbers to our unemployment lines and soup kitchens.

As these businesses close up our towns and villages will become ghost towns, and our lifestyle as a farming community and family farms will also disappear.

We, therefore, urge this committee to take a standing of no change on the Crow rate, and urge the Federal Government to look at other ways of channelling monies to the railways, if need be, to improve the rail transportation system.

RURAL MUNICIPALITY OF ROSSBURN
THE STANDING COMMITTEE ON
TRANSPORTATION
of the
Manitoba Legislative Assembly

We appreciate this opportunity to make this presentation to the Provincial Committee on Transportation expressing our concerns and anxieties with respect to the removal of the Crowsnest Freight Rates.

It is imperative that Western Canadians bond their efforts and resources in order to convince the Federal Government that reforming the Crow rate, as proposed by Mr. Pepin, is detrimental and not in the best interests of Western Canadian agriculture and the prairie economy as a whole.

Rail Line Abandonment: We can safely assume that under Mr. Pepin's plans there will be a number of branch line abandonments taking place.

We fear that the CN Rossburn subdivision, although placed into the basic network until the year 2000, may be one branch line that is scheduled for abandonment. Our fears are substantiated by the fact that no rehabilitation has been undertaken since placement in the basic network in 1979, nor for many years prior to 1979. It has also been practically impossible to find out just what the plans for the Rossburn Sub are and what rehabilitation, if any, is scheduled.

We are suspicious that the farmers of the Rossburn Municipality may be hit a double-barrelled blow: (1) the removal of the favourable Crow rate, and; (2) rail line abandonment that would increase the average haul by about 15 miles.

Any one of the above two conditions will bankrupt many a farmer in the Rossburn area. During our present depressed economic times, many of Western Canada's

farmers are hanging on by the "skin of their teeth;" others are less fortunate and are foreclosed upon.

We, in the Rossburn area, are no different and our farmers cannot, and we emphasize the word "cannot", take on a greater financial burden if we are to survive. The debt load of many of our farmers is staggering and another blow by the removal of the Crow and/or rail line abandonment will surely sound the death knell for many.

Road Upgrading and Motor Transportation: In the event of rail line abandonment, the municipalities and the Provincial Government would be faced with a massive road building and upgrading program, taxes would soar out of sight. Farmers would have to provide larger on-farm grain storage facilities and larger and more modern trucks to haul their grain the additional 10 to 20 miles to the mainline grain terminals. Coupled with the Pepin version of grain freight rates, it would be more than the average farmer could bear.

Municipalities would be faced with an exodus of people and abandoned properties; our towns and villages would suffer immensely and ruination would set in.

It is already the practice at our large capacity grain terminals that a farmer can only deliver grain at a specified date and time. The specified time may not necessarily be convenient to the farmer and weather conditions may be less than ideal.

We are aware that an area farmer had a two and one-half hour wait beyond his appointment time at the recently constructed Harrowby plant, which is one of the most modern around. No doubt there are many other such waiting experiences for farmers which are aggravating and frustrating. A farmer's time can be put to much better use than to sit and wait for his turn at a grain elevator.

Railway Company Guarantees: We are informed that the railway companies will be granted a three-year trial period before having to give performance guarantees under the revised Crow rate system. We believe that this will open loopholes for the railway companies to renege on their obligations and is shoddy management on the part of the Federal Government. Railway company guarantees must be on paper before, and not after, the Crow rate is revised.

It is our contention and firm belief that it is up to the Federal Government and the railways to have a modern and efficient railway system in place and not the Prairie farmers who are walking a tightrope already. There are many more commodities and goods that are being hauled across Canada than just grain. If the present freight rate is taken away, Canada may not need a very efficient grain transportation system, for there may not be very much grain to haul.

On behalf of the farmers and residents of the Rural Municipality of Rossburn, I thank you for your time and attention and trust that this presentation will receive your worthy consideration.

CANADIAN NATIONAL RAILWAYS DIPS INTO RED AFTER YEARS IN THE BLACK

OTTAWA (CP) - Canadian National Railways recorded a loss of \$223 million in 1982 with its North American railway operations hard hit by the economic recession, the Crown corporation's annual report says.

The report, tabled in the Commons Wednesday by Transport Minister Jean-Luc Pepin, confirms what CN officials have been warning for months - that the corporation would have a big deficit after several years of running in the black.

But the corporation hopes for a modest profit this year. It had a profit of \$193.2 million in 1981.

But the annual report said difficult decisions in 1982 to cut expenditures and pare the payroll by more than 6,000 workers have left the company poised to handle an upswing in business as economic conditions improve.

It also said the corporation hopes economic conditions will improve enough to allow it to pay more attention to its 67,000 employees.

On the front cover of the report, the corporation says "1983 will be the year when we are able to turn our full attention to recovery and, particularly, towards ensuring that the people who work for CN receive full recognition for the part they play in the achievements of the company."

About half the 1982 loss was attributable to the corporation's decision to reduce the value of its investments of \$61.5 million in Cast Shipping Ltd. and \$35.9 million in the Central Vermont Railway and to show as an expense \$10.8 million involved in restructuring its highway freight operation.

Rail operations recorded a \$121-million loss - \$34.9 million for CN Rail, \$32.4 million for the Newfoundland rail service and \$54.5 million for CN's U.S. subsidiary - the Grand Trunk Corp., including the reduced value for the Central Vermont.

Other losses were \$40.6 million in trucking operations, including the \$10.8 million restructuring costs, \$5.7 million for CN Hotels and \$1.6 million for the CN Tower in Toronto.

But there were money makers.

CN Communications had profits of \$32.1 million, CN Marine \$16.5 million, CN Exploration \$11.1 million and real estate \$11.3 million.

CN will make capital expenditures of \$491.6 million this year, helped by the federal decision to make interim payments to the railways as part of its plans to raise prairie grain freight rates.

The corporation expects to create 3,300 railway jobs as part of the change in the Crowsnest Pass freight rates.

The railway lost more than \$250 million hauling grain in 1982.

CROW PROPOSALS WILL CAUSE 'PAIN FOR GAIN', CNR PRESIDENT SAYS

REGINA (CP) - Attacks on federal Transport Minister Jean-Luc Pepin's plan to revise the Crowsnest Pass freight rate for hauling grain place in peril Canada's economic future, Canadian National Railways president Ronald Lawless said Monday.

"Nobody but hard-core obstructionists any longer seriously opposes some kind of revision to the Crow structure," he told the Regina Rotary Club.

The proposals are a workable compromise that provide for a decent period of transition. They will result in "some pain for lots of gain," Lawless said.

It is unreasonable to expect the railways to continue hauling grain "at what is now proven to be a staggering loss" the losses are preventing the railways from creating the modern rail network needed to move Western Canadian commodities, he said.

Lawless said the railway lost \$35 million on it (sic) operations last year.

"And when you realize that this resulted after absorbing a loss of more than a quarter-billion dollars on transporting grain at statutory rates, I am sure you appreciate my concern over any threat to our ability to recover from that deplorable result."

Pepin's proposal, announced earlier this year, would see the federal government spend \$3.7 billion to raise freight rates for Prairie grain and promote railway improvements. The plan would see freight rates double by the 1985-86 crop year.

APPENDIX 2

1981 CROP PRODUCTION COSTS

Prepared by Westburn Consultants for Manitoba Pool Elevators - Dec/81.

1981 Crop Production Costs

(Dollars per Acre)

	<u>Wheat</u>	<u>Barley</u>	<u>Rapeseed</u>	<u>Flaxseed</u>
<u>OPERATING COSTS:</u>				
Seed	\$10.50	\$ 8.00	\$ 2.70	\$ 8.57
Fertilizer - N	13.20	13.20	16.50	13.20
P ₂ O ₅	9.00	9.00	6.00	---
Chemical & Seed Treatment	14.40	14.40	18.00	13.00
Machinery Operating Costs	12.00	12.00	12.00	12.00
Miscellaneous	3.00	3.00	3.00	3.00
Interest on Operating	4.81	4.63	4.66	3.82
TOTAL OPERATING COSTS.....	\$66.91	\$64.23	\$62.86	\$53.59
<u>FIXED COSTS:</u>				
Taxes	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25
Land Investment Cost	42.00	42.00	42.00	42.00
Machinery Depreciation	13.00	13.00	13.00	13.00
Machinery Investment Cost	16.00	16.00	16.00	16.00
Grain Storage Fixed Costs	3.85	3.85	3.85	3.85
Labour and Management	14.00	14.00	14.00	14.00
TOTAL FIXED COSTS.....	\$93.10	\$93.10	\$93.10	\$93.10
TOTAL COSTS.....	\$160.01	\$157.33	\$155.96	\$146.69

MAJOR CROP PRODUCTION COSTS 1983
(dollars per acre)

Appendix 2

	Corn	Sunflowers	Peas	Lentils
OPERATING COSTS:				
Seed	\$ 17.25	\$ 8.75	\$ 25.00	\$ 21.00
Fertilizer				
N	28.00	16.80	----	----
P ₂ O ₅	12.80	11.20	11.20	11.20
Other	7.20	3.70	5.55	5.50
Chemicals	28.85	13.50	15.50	19.00
Fuels	10.00	7.00	7.00	7.00
Machinery	10.00	9.00	8.00	8.00
Insurance	5.45	2.85	5.15	6.35
Miscellaneous	6.00	6.00	6.00	6.00
Drying	22.00	4.00	----	----
Interest on Operating	13.55	7.45	7.50	7.57
Total Operating Costs	\$161.50	\$ 90.25	\$ 90.90	\$ 91.67
FIXED COSTS:				
Land Investment Cost	45.00	45.00	45.00	45.00
Machinery Depreciation	20.00	17.00	14.00	15.00
Machinery Investment	18.00	15.30	12.60	13.50
Storage Costs	4.00	4.00	4.00	4.00
Labour and Management	16.00	16.00	16.00	16.00
Total Fixed Costs	\$103.00	\$ 97.30	\$ 91.60	\$ 93.50
Total Costs	\$264.50	\$187.55	\$182.50	\$185.17

MAJOR CROP PRODUCTION COSTS 1982

(dollars per acre)

	Wheat	Barley	Rapeseed	Flaxseed	Rye
OPERATING COSTS:					
Seed	\$10.50	\$ 8.00	\$ 2.70	\$ 8.40	\$ 8.25
Fertilizer					
N	16.80	16.80	21.00	16.80	16.80
P ₂ O ₅	9.60	9.60	6.40	-----	6.40
Chemical & Seed Treatment	16.55	16.55	18.00	15.00	-----
Machinery Operating Costs	15.00	15.00	15.00	15.00	15.00
Crop Insurance	1.96	2.68	4.25	2.84	2.07
Miscellaneous	5.00	5.00	5.00	5.00	5.00
Interest on Operating	6.79	6.63	6.51	5.67	4.82
Total Operating Costs	\$ 82.20	\$ 80.26	\$ 78.86	\$ 68.71	\$ 58.34
FIXED COSTS:					
Land Investment Cost	42.00	42.00	42.00	42.00	42.00
Machinery Depreciation	14.00	14.00	14.00	14.00	14.00
Machinery Investment Cost	12.60	12.60	12.60	12.60	12.60
Grain Storage Fixed Costs	4.55	4.55	4.55	4.55	4.55
Labour and Management	16.00	16.00	16.00	16.00	16.00
Total Fixed Costs	\$ 89.15	\$ 89.15	\$ 89.15	\$ 89.15	\$ 89.15
Total Costs	\$171.35	\$169.41	\$168.01	\$157.86	\$147.49
BREAK-EVEN ANALYSIS PER ACRE YIELDS					
Price					
\$/Tonne	\$174.00	\$120.00	\$276.00	\$320.00	\$160.00
\$/Bushel	\$ 4.73	\$ 2.61	\$ 6.26	\$ 8.13	\$ 4.06
Yield Required to Cover Operating Costs	18 bushels	31 bushels	13 bushels	9 bushels	15 bushels
To Cover Total Costs	37 bushels	65 bushels	27 bushels	20 bushels	37 bushels

OTTAWA JUSTIFIES CROW REVISION

WINNIPEG (CP) - About 140,000 Prairie farmers have been mailed brochures explaining Ottawa's new grain transportation policy, a federal government official said Monday.

Henry Ropertz, chief of policy and programs with the grain transportation directorate, said the brochures explain proposed changes to the Crowsnest Pass freight rate that has pegged the cost of shipping grain since 1897.

The long-awaited but controversial legislation could be introduced in parliament as early as Monday, Ropertz said.

The mail campaign came on the heels of visits to the West recently by senior government officials.

The officials explained to farmers how paying higher freight rates now can mean larger financial rewards in the future through a more efficient marketing structure.