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Chair

Mr. Paul Steckle

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• (1110)

[English]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Ladies and gentlemen, I'm going to call the meeting to order. A few of our witnesses are not at the table yet, but we'll begin with the one group that is here, in order to get under way.

Today we're going to limit our questioners to five minutes to allow more people in on the questioning. I would ask not only those asking questions but those who are giving answers to be as concise as you can. If clarification needs to be sought on any of the questions, we will allow for a further examination of the question, but I think that's fine.

Welcome, members who have come to bring testimony this morning. We have, from the grain transportation group, the Western Grain Elevator Association—Jean-Marc Ruest, assistant vice-president, legal and industry affairs, James Richardson International; Richard Wansbutter, vice-president, commercial relations, Saskatchewan Wheat Pool; and Bill James, director, transportation and logistics, Agricore United.

Mr. Ruest, are you going to take the lead here? We'll keep it to 10 minutes or less for your presentation, and following that we'll have questions.

[Translation]

Mr. Jean-Marc Ruest (Assistant Vice-President, Legal and Industry Affairs, James Richardson International, Western Grain Elevator Association): Thank you very much, Mr. Chairman. We would like to sincerely thank committee members for taking the time to hear from us today.

[English]

We are here representing the Western Grain Elevator Association. The Western Grain Elevator Association represents nine grain-handling companies that as a group handle 90% or more of western grain. Our membership is quite diversified, representing certain companies that are privately owned, other companies whose shares are publicly traded, and others that are farmer-owned grain-handling facilities.

When we say we handle 90% or more of western Canadian grain, that essentially means, obviously, 90%-plus of the grain that is produced by farmers in western Canada, or 90%-plus of the farmers rely on our members to provide them with effective and efficient grain-handling services. We only say that because there is often a distinction put forward that it is an us versus them type of scenario—us being either the farmers or the grain companies. It's not quite as

clear as that. There is a lot of grey as to who is us and who is them. We prefer to say that the correct description of the grain industry is one of interdependence and interconnection. If any of the stakeholders fail, whether it be producers, grain companies, or railways, then the system essentially collapses.

As members of the WGEA, we've invested billions of dollars in grain-handling facilities that have allowed Canada to develop an efficient grain-handling system and to remain competitive in the world market. Our companies also employ thousands of people across Canada. While we typically think of our operations as being in western Canada, our members employ hundreds of people in Ontario and Quebec.

The success of the grain-handling industry, and in fact the grain industry generally, is dependent on all players acting competitively, efficiently, and being governed by commercial forces. The problems that currently exist in the grain industry can usually be traced back to the erosion of any of these factors.

The grain transportation system, and in particular use of the federal hopper car fleet, is functional. It's far from being perfect, but it works. It is also extremely sensitive, and any changes to it, unless very well thought through, have the potential for devastating consequences.

In order to have a meaningful exchange on the subject of the disposition of the hopper car fleet, I think it's important to do a little bit of a historical analysis or review.

The original announcement was made in 1996 by the federal government to dispose of the hopper car fleet. That was announced for two purposes. The first one was to reduce the deficit—that is, by way of a commercial sale. The second purpose was to further commercialize transportation, and that was set out very clearly in the government's announcement at the time.

Subsequent to that announcement, the federal government commissioned a report on the western grain transportation system, conducted by the late Honourable Justice Estey. Justice Estey did a very comprehensive review of the entire system and confirmed the need to further commercialize the western grain transportation system, and he confirmed that hopper cars should be sold for their fair market value in a process that respected applicable trade regulations—that is, that would not be subsidized.

To the WGEA's knowledge, there has never been an independent report on the state of western grain transportation that has suggested that the disposal of the hopper cars should be made in any way other than through a commercial sale for fair market value. So you had Mr. Justice Estey, again, independently looking at the system, looking specifically at the hopper cars and saying you have to dispose of these assets through a commercial sale.

Given these circumstances, any reasonable observer would have assumed that the hopper cars would be sold commercially at fair market value. At a bare minimum, one would have expected that the government would have issued some type of request for proposals. However, earlier this year it was brought to our attention that the federal government was seriously considering going forward with the FRCC proposal, a proposal that does not address even remotely the two original purposes for disposal—that is, reducing the deficit or further commercializing transportation.

Because of the absence of a public tendering process of any type, parties that may have been interested in acquiring the cars—for example, the two railways—have hastily put together proposals. Others, including railcar leasing companies, have not even been included in any type of process to gauge their level of interest and what their plan might be for the use of those hopper cars. Frankly, the WGEA is very concerned about the haste in which the government appears to be proceeding to implement the FRCC proposal without having fully canvassed and considered all of the available options.

Reviewing the FRCC proposal specifically, WGEA has significant concerns regarding that proposal. The weaknesses that we perceive have been identified and communicated to Transport Canada in a brief submitted to them, and I believe it has been circulated to the members who are here today. If you have not yet done so, we absolutely urge you to read our brief, because in it we have summarized the three options that Transport Canada has said are open and available to it, and we have measured each one of those options against the seven guiding principles that Transport Canada says it will apply in making its recommendation to the government.

When you measure the FRCC option against each one of those seven guiding principles, as we've done, and we've think we've done so fairly, one can only come to the conclusion that the FRCC proposal is the least desirable of all options that are available.

To put it succinctly, our concerns can be summarized as follows.

Most of the actual plan is unknown, and those portions of the plan that are known would insert non-commercial elements into the grain transportation system, a system that we all know requires increased commercialization if it is to survive—the conclusion that was reached specifically by Mr. Justice Estey.

When we say that the plan is unknown, we say so because when we ask the FRCC for specific details on how this plan is going to be implemented, how they are going to manage the cars, what types of leasing arrangements are going to be entered into with the various railways, and questions with respect to apportionment of railcars, the answer we get inevitably, time after time, is “Well, we'll stick with the status quo for the first two years or so, and then we'll see.”

That is clearly unacceptable to anyone who cares about the grain transportation system. We are entitled to know now exactly how the FRCC plans to use these cars. How can we be assured that they will be able to maintain or replace the cars and reduce producer freight rates—which is the main selling feature of their plan presently—when nobody knows what will happen after the initial two-year status quo period?

Because the cars would not be transferred by the FRCC at a nominal cost, the FRCC would not be motivated by commercial factors in their management of those cars. They would have the luxury of acting in a non-commercial fashion to the detriment of other industry stakeholders. This concern is confirmed in the FRCC's proposal, which makes repeated references to being involved in apportionment and that they will be exercising influence and leverage over railways and grain companies. That is far from being a commercial agenda. That is clearly a political agenda that will have a negative effect on the grain transportation system.

I see Mr. Chairman waving to me that I'm running out of time.

At the end of the day, what does the WGEA want or believe the best option is? The WGEA believes the government should maintain ownership of the cars. If there are concerns about the transportation system—and we do not deny that there are transportation problems; there are significant problems—the problems relate to issues such as the lack of real competition between the two railways, the lack of effective remedies before the Canadian Transportation Agency when there are difficulties with the railways. They refer to a lack of accountability by the railways for lack of service.

●(1115)

Those issues, if they are truly justified and are identifiable, ought to be addressed head-on through a review of the Transportation Act, through mechanisms that will address those problems specifically. Ownership of the hopper cars does not change any of that. A change in ownership of the hopper cars will simply, we say, increase the problems.

The Chair: I'm going to have to cut you off there. I think you'll be given some opportunity to respond. I hate to do that, but I will go to 12:10 before we recess this particular period since we got started late.

The other group that is here to testify at this particular portion of our meeting this morning is the Western Canadian Wheat Growers Association. I think we have with us Cherilyn Jolly, president, from Mossbank, Saskatchewan. We also have with us Doug Campbell, Alberta vice-president.

Welcome. Do you have a presentation to make as well? I'm going to give you 10 minutes, no more, and we will then begin the questioning.

Are you speaking, Ms. Jolly?

●(1120)

Ms. Cherilyn Jolly (President, Western Canadian Wheat Growers Association): Yes, I am. Thank you.

Good morning.

I'm honoured, as president of the Western Canadian Wheat Growers Association, to represent our members' best interests on the issue of the disposition of the federal hopper car fleet, and I thank you for the invitation.

I'm a grain farmer in Mossbank. I don't appear to be a grain farmer, but I think if you look closely, there is dirt under my fingernails. You might even find an oriental mustard or a canola in there too. My husband and I are both fifth-generation farmers. We farm 5,000 acres in a variety of commodities. In addition to my role with the wheat growers, I'm also an economic development officer and I am very interested in rural revitalization.

My husband and I don't participate in negative coffee shop talk, although conversations surrounding weather and Mother Nature were very abundant this harvest.

My colleague Doug Campbell will speak today of the many technical concerns our membership-based association has regarding the disposition of the hopper car fleet. My focus today is to strongly contradict the issue of farmer representation.

The Farmer Rail Car Coalition publicly claims to represent 90% of farmers. This bold statement is absolutely false. The Grain Growers of Canada do not support FRCC's proposal. The wheat growers, co-founders of the FRCC, no longer support the plan. We were at the table. Our questions weren't answered and our vision of a commercial system was not being met. The Saskatchewan Canola Growers, also co-founders and the latest members to pull out of FRCC, are not supporters. I question whether the bulk of FRCC's membership actually represents the grassroots intent of producers in western Canada.

Supporters of FRCC include the Saskatchewan Association of Rural Municipalities, for example. As a landowner and therefore a rural municipality taxpayer, I am by default a member of SARM, and I am also by default a member of APAS, both of which are advocating the sale of the cars. Do they represent my point of view or my best interests? No. Yet Mr. Harrison, the official spokesperson for the Farmer Rail Car Coalition, has included me in his 90%.

Members of the wheat growers choose to be—in fact, they pay a yearly membership—to be a part of our association, as do the barley growers and the canola growers. We maintain our membership by lobbying on behalf of proactive, forward-thinking producers. They hold us accountable. They choose to be members. They choose an elected board of directors to represent them and fight on their behalf.

The WGA has given you a brief history of the transportation, which is also referenced in appendix 3 of our brief. I wasn't around in 1896 when the Crow's Nest Pass agreement was signed. I wasn't even interested, to be honest with you, in agriculture when the Estey report was written. However, like many of the producers I represent today and the next generation of farmers, I am directly affected by increasing freight rates and new trade allegations by the U.S.

In fact, seven out of ten directors of the wheat growers board are under the age of 35. It's a number I'm very proud of and it's a number the industry should be very aware of. We are attracting the next generation of farmers, but I can't say the same for all the supporters of the FRCC business plan. In fact, I could say the opposite. Those farmers may well be more focused on the tax implications of their

next auction sale than they are on the increase in freight rates to an already tight margin.

The FRCC has declining producer membership and does not represent 90% of the producers, and certainly not the next generation of producers who are directly affected by this decision. I urge you to strongly question the validity of the proposal. Who benefits from this? Any decision that takes us further from a fully commercial system is not acceptable to our membership.

● (1125)

The Chair: Mr. Campbell, you have under six minutes left.

Mr. Douglas Campbell (Vice-President, Western Canadian Wheat Growers Association): Thank you, Mr. Chair.

In case you have any trouble with your eyesight, I do not qualify for that 70% under age 35.

Some hon. members: Oh, oh!

Mr. Douglas Campbell: In brief, because your time is extremely brief, I would say we agree with virtually all the principles we heard enunciated by Mr. Ruest of the Western Grain Elevator Association. We have also presented our views to Transport Canada in detail. We also participated in Transport Minister Lapierre's stakeholders' meeting in Winnipeg on November 1, and we're pleased to contribute, as were many other organizations. We realize your time is short, but we would like to emphasize that there are 35 groups, sir, who all share similar principles. I believe only three have been invited to present, but I'm sure that fact will not escape you.

In large part, the grain industry was heavily ignored by Parliament in its first seventy to eighty years. Since about 1970 there have been many people involved in attempting to remove the heavy hand of regulation to move toward commercialization. Honourable Transport Ministers Lang, Mazankowski, Pepin, and Young did admirable jobs in moving the industry in that direction. Indeed, as recently as 1999, the federal cabinet, which of course includes the current Prime Minister and the current Minister of Finance, fully endorsed this continued move toward commercialization. We are therefore somewhat puzzled as to why that hasn't occurred in the last two to four years.

We do have detailed comments on individual items. We do want more railway competition and more effective measures to ensure railway compliance. In contrast to the Grain Elevator Association, we're also strong advocates of a 24/7 ability for the system to be motivated and to function. That means responsibility, rewards, incentives, and penalties on behalf of both the farmers, the grain companies, and the railways.

We do have many concerns about the FRCC proposal, as Ms. Jolly has indicated. I think it's important to put on the record at least our view that amongst roughly a hundred people and certainly over thirty organizations at that November 1 stakeholder meeting, the FRCC position, even by its own admission, did not meet the standards that were set by the federal government or by the industry. We had thought that by this stage it would have removed itself from active consideration, the two key things being that it has to have control of all public cars when that has not been granted by either the Canadian Wheat Board, the Alberta government, or the Saskatchewan government; and also the fault gap in maintenance costs that would have to be handled that way, when in reality the Canadian government, if indeed there are issues of overpayment, could solve that by the stroke of a pen or could go out for public tender.

Mr. Chair, I'll stop there. I look forward to your questions. Thank you.

The Chair: Thank you, Mr. Campbell.

We will now proceed to questioning. I'm going to take my prerogative as chair to limit the questioning to five minutes, so I would ask that our questions be very succinct, and also the responses.

Mr. Miller, please.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman.

To the witnesses, thanks very much for appearing today. I'm a beef producer from Ontario, so I need to learn a little bit about the railcar business in the west.

My first question is, do you think the transfer or sale of these grain cars to the FRCC will create any better efficiency for grain growers and/or the Canadian taxpayer?

Mr. Richard Wansbutter (Vice-President, Commercial Relations, Saskatchewan Wheat Pool; Western Grain Elevator Association): That is certainly one of our concerns, and we fail to see how a transfer of this magnitude, of 13,000 hopper cars to FRCC, would generate any additional efficiencies. It is the grain companies, in working with the railways, that generate those efficiencies. We load 100 cars in 24 hours from our high-throughput points, deliver those cars to our terminals by the railways, and unload them within 24 hours. That is where a lot of the system efficiencies are generated. Having a third player with non-commercial principles gives us great concern that we may actually inadvertently destroy efficiency, because we don't know, to this date, at this late point, how those cars might be utilized.

• (1130)

Mr. Larry Miller: Thank you.

If this sale were to go ahead, should the federal government's responsibilities in relation to the fleet end with that sale or transfer? Further to that, do you think there would be any role that government could play if this transfer or sale were to go ahead?

Mr. Richard Wansbutter: Again, our difficulty is that we don't know what the ultimate intent is of the federal government. We would propose that the Government of Canada continue to play

some role, even in an oversight capacity, if there were a transfer. I think that would be a very important requirement.

Mr. Jean-Marc Ruest: If I could add to that, sir, when Mr. Justice Estey reviewed the sale of the hopper car fleet, one of the principles that he mentioned was a fair commercial sale, commercial value, respecting international trade obligations, and also that the use of the cars be limited to the transportation of western Canadian grain. Mr. Justice Estey had seen a role of overseeing the fact that those cars would remain for use for specific areas. If that requires federal government oversight to ensure that those conditions are met, then so be it.

Mr. Larry Miller: That's a good point.

The market value of the hopper fleet has been estimated at \$100 million to \$200 million. It amazes me that somebody can't come up with a closer estimate than that, but regardless of that fact, since basically the taxpayers of Canada paid for them, do you think they should be sold versus transferred? Should the taxpayers get back some money out of the sale?

Mr. Jean-Marc Ruest: At the bare minimum, the Canadian taxpayer is entitled to be satisfied that all available options have been considered, that everyone who may potentially be interested in managing this fleet, owning it, having it given to them, what have you, has had a chance to be aware of the fact that disposal is an option and has had the option to put forward a proposal of some type. That exercise hasn't happened. If we're going to be doing something other than a fair commercial sale, then everyone who might be interested in participating in the exercise has to have a chance to do that.

Mr. Richard Wansbutter: If I may, when we talk about looking at all available options, one of the frustrating parts is that much has been made about the fact that this sale has been on the books for eight years. Why haven't people come forward? They haven't come forward because the federal government really restricted the options it was looking at. As Mr. Ruest pointed out earlier, it was only recently that the railways came forward.

I know for a fact that in my discussion with the leasing companies they have expressed interest but were not invited to put forward a proposal. So to Mr. Ruest's point, I think it's critical that all options be given the opportunity to come forward.

Mr. Larry Miller: What do you consider to be the risk to the new owners of the hopper cars, and how should that risk be managed?

Mr. Richard Wansbutter: When you talk about risk, the single largest risk would be ownership of 13,000 hopper cars and whether or not the new organization would be able to utilize them week in, week out, month in, month out. In other words, depending on fluctuations in production and in export demand, would they be able to utilize them? When you have to park, like this past year when we've had lower production, the risk could be that they would have to park 1,000, 2,000, or 4,000 cars. Who knows?

So it does wrap itself up into what terms and conditions would be placed on the transfer, and in turn what terms and conditions would be placed on the railways. Would the railways be required to use these cars as a minimum base fleet and then add, or would the railways utilize their own cars first and then tap into these available government cars? Those are some of the unknowns, and that's where some of the risk occurs.

The Chair: Thank you, Larry.

We now move to Ms. Rivard and Mr. Gaudet.

[Translation]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Could you explain why the UPA in Quebec is in favour of the Farmer Rail Car Coalition proposal? Can you explain to me why the UPA seems to be saying that it is a good thing, whereas you seem to be saying that it is not? I would like an explanation.

• (1135)

Mr. Jean-Marc Ruest: I did not understand. Who is in favour of it?

Ms. Denise Poirier-Rivard: The Union des producteurs agricoles, in Quebec, is in favour of their proposal.

Mr. Jean-Marc Ruest: I am not specifically aware of their position, I have not had an opportunity to discuss it with them and to hear their point of view, but I am inclined to believe that it is an expression of their frustration with the current transportation system. When we are frustrated because of the system, we are often under the impression that if we could simply take over one of its components and control something, we could change our fate under the system.

We are saying that it is not the way to solve the problem. If we have problems with the system, let's deal with them head on. We will not improve the system by taking over part of it. It is so fragile that adding another party would simply cause it to collapse. That is the only comment I can make on that.

Ms. Denise Poirier-Rivard: I have the impression that you are not really answering my question. You talk about frustration. Can you explain what frustration you are talking about?

Mr. Jean-Marc Ruest: There is the frustration that we face, as grain handling companies, as well as the frustration faced by Quebec producers and grains handlers. First, It is due to a lack of competition between the two rail companies. There is not anything to really motivate them to be competitive. So when we only use one of the railways and we do not have access to the competitor, what happens is that the railway that we deal with is not really motivated to provide us with the level of service that we need.

When we have a complaint about the level of service provided, the recourse we have to the transportation agency is so cumbersome and expensive that it is not really worthwhile following up on the matter. So we feel powerless given the often poor level of service that the two railway companies are providing.

Ms. Denise Poirier-Rivard: Earlier on, you talked about 90% of your members, but your figures have been challenged. Do you have a list of the members of your organization? Would it be possible to see how you have come up with that 90% figure?

Mr. Jean-Marc Ruest: The 90% come from the grain handling companies. We know what volume of grain goes through the system

in Western Canada. We know each company's share of this percentage. That is how we can objectively say that we, the nine grain handling companies that are members of our organization, handle 90% or more of the grain in Western Canada. We do not produce this grain, it is delivered to us by producers as part of our operations.

Ms. Denise Poirier-Rivard: That is all, Mr. Chairman.

[English]

The Chair: Do you want to continue on, Mr. Gaudet? We have a minute or two.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): I am having trouble understanding your frustration. You say that the UPA is frustrated. If there is frustration, it is because there is a problem.

Mr. Jean-Marc Ruest: Yes, absolutely.

Mr. Roger Gaudet: The problem should be solved at the national level.

Mr. Jean-Marc Ruest: I fully support you in that initiative.

Mr. Roger Gaudet: So why has the problem not been resolved? There wouldn't be a problem if the situation were resolved at the national level. I do not understand your frustration. You cannot be frustrated each time Quebec asks for something. That bothers me even more, because my principle is that the West is entitled to have what it wants, but I also want Ontario, Quebec and the Atlantic too to be entitled to have what they want. If services are offered on a national level, I want Quebec to have its fair share. I am not asking for anything more, but I want it to have its share.

Mr. Jean-Marc Ruest: I think Mr. Wansbutter will have something to add, but I simply wanted to say that this frustration is not limited to Quebec. The frustration that I think Quebec producers are feeling is the same that is being felt everywhere in Canada. So I would say that the frustration you are perceiving in Quebec with respect to transportation is exactly the same as the frustration we see throughout Canada. If there are irritants, if there's frustration with the system, we need to identify it clearly and deal with it head on, instead of trying to go through the back door and say that transferring these cars will make a difference. If there is a problem, then let's deal with it head on and undertake a country-wide review of the transportation system.

• (1140)

[English]

The Chair: The time has expired. I'll move to Mr. Easter for five minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chairman, and thanks to you folks for coming.

Mr. Ruest, you made the point, looking at the principles of Transport Canada, that FRCC is the least desirable of the proposals. Could you summarize why you think that is, as shortly and succinctly as possible?

I'm going to ask three questions, Mr. Chairman, and give them time to answer.

Second, Mr. Wansbutter, you made a point on the efficiencies that you feel the elevators are responsible for. I would suggest that you certainly may have efficiency gains at the elevator level, but your efficiencies in terms of costs imposed on farmers, from the farm gate to export position, are certainly a horse of a different colour. More terminals on the main line, yes, but in terms of the farmers' costs in getting their grain to export position, those efficiencies aren't seen there. Since you went basically on the open market to shareholders and moved away from the pool approach, certainly those efficiencies may be going to your shareholders, yes, but they're not going back to the farm gate, which the pool system was originally designed to do. I just want to make that point.

In terms of both the elevator association and western grain growers, is your real concern more over the allocation system than who owns the cars? What are we really talking about? We're talking about FRCC in terms of having and controlling the cars. There's nothing wrong with that if there's an allocation system in place that ensures that there's fair play. Certainly from a farmer's perspective, if the efficiency gains are gained at the farm level, what's wrong with that, if you're a farm organization or an elevator company that is supposed to be working in the interest of farmers?

Mr. Jean-Marc Ruest: With respect to the first part of the question, and why the FRCC proposal is the least desirable of the options, we've submitted our brief, and I encourage you to review it.

Succinctly, Transport Canada has identified seven principles. I can quickly go through them.

The first one is encouraging system efficiency, competition, commercial discipline, and accountability. If you have a player, FRCC being the player of the proposal, being given the cars at a nominal cost, and in their own plan they're talking about non-commercial actions and principles that will govern it, then certainly they cannot be the front-runner on that principle.

On the second one, fostering good relations within the industry, including meeting the needs of producers and other stakeholders without impeding overall efficiency of the grain handling and transportation system, I doubt the FRCC proposal does anything to foster good relations. You've heard from the producer groups themselves that they do not support this proposal. The industry stakeholders, such as the grain companies and the railways, have also outlined their concern with the proposal.

On the third, minimizing the risk of trade challenges, especially by the United States, we already have trade challenges from the United States relating to the ownership of these cars and the fact that they're being allowed to be used free of charge. If you give them away to a producer group, you are increasing the chance of a trade challenge.

The fourth principle is ensuring adequate car supply for western grain movements. That is definitely an unknown. We do not know what their proposal plans for that.

Optimizing value for taxpayers is principle five. If you're giving them away, you're not optimizing value for taxpayers.

Six is minimizing the financial impact on western producers. Again, an unknown. Until we have all of the financial details and we know what type of freight arrangements and maintenance arrangements they're going to get into, that is an unknown.

On seven, ensuring an orderly transition, we believe the transition will be anything but orderly, and it may very well be chaotic.

That is why, sir, we say that the FRCC is certainly not the front-runner and in fact is the least desirable of all options.

• (1145)

Mr. Richard Wansbutter: I will answer the second part of the question.

Mr. Easter, I think you're quite correct. One of our major concerns most definitely is this notion of allocation, or more appropriately, apportionment. How will FRCC divide up the cars, and more importantly, what principles, commercial or otherwise, will they utilize to divide those cars?

I have to submit to you that to ask the federal government to turn over an asset that is worth \$150 million, to pick a middle number, and to sit here and tell members and the industry that after the second year we don't know what type of lease proposals we're going to have is unconscionable. I'm sorry, but to wish to control an asset of \$150 million and to tell the industry, we're not sure what lease products we're going to have...? How can we go forward with any confidence when the FRCC itself is not prepared to lay it out? We understand that maybe they can't have every detail nailed out, but give us some indication of what those products might be.

I think maybe that goes to the root of our concern. All I can say is that I can imagine any one of us going to a bank, asking for a \$150 million loan, and saying, "You know what? After two years I can't tell you what's going to happen to that asset, or how I'm going to employ that capital." It wouldn't fly. That is our concern.

I'm going to let Mr. Campbell address the other point you raised, Mr. Easter, on the issue of efficiency.

The Chair: Time has expired and other people are waiting to get on. I want you to answer the question, but quickly, Mr. Campbell.

Mr. Douglas Campbell: Thank you, Mr. Chair.

Mr. Easter, the commodity groups pulled out because FRCC refused to align with commercial principles when they were putting their act together. Wheat growers pulled out in May of 1996, and most recently the canola growers in May of this year. That's mainly why. They had social goals, and political goals, which we respect, but in our humble opinion, you do not cure very important transport issues by dealing with that.

Second, with respect to your comment that the grain companies are maximizing efficiencies on the main lines, yes, they are. We have this appendix 4...and I apologize, Mr. Chair, that we did not get all of our material to you in time for translation. We hope that through your good graces it will be translated and circulated to members.

We're strong advocates of federal and provincial and industry policy that fosters short-line railways, which allows you to service other than the main lines. We speak to that at some length in our brief.

Third, on your last point about car allocation versus ownership, again, Mr. Harrison, the chair of FRCC, stated in front of everyone in Winnipeg at the November 1 stakeholders meeting that he was backing off from car allocation. He specifically said, "Read my lips: no, I won't." And yet his sister organizations put out a release three or four days later reconfirming that this was why they were members of FRCC.

The Chair: Thank you, Mr. Campbell.

Ms. Desjarlais for five minutes.

Mrs. Bev Desjarlais (Churchill, NDP): Thank you, Mr. Chair.

I'm just trying to clear up some figures, or figures that we're not really hearing. We're just hearing comments.

Ms. Jolly, you mentioned that you represent a number of wheat growers. How many wheat growers are involved in your association?

Ms. Cherilyn Jolly: There are approximately, through the 34 years of our membership—

Mrs. Bev Desjarlais: How many are there now within your membership?

Ms. Cherilyn Jolly: Well, we're growing every day. We've just gone through a recent process—

Mrs. Bev Desjarlais: Okay, so how many are there in your membership?

Ms. Cherilyn Jolly: A better example would be that we represent about 15% to 20% of the—

Mrs. Bev Desjarlais: How many wheat growers are in your organization? Is it 10? Is it 50? Is it 100? Is it 200?

Ms. Cherilyn Jolly: It's approximately 3,000.

Mrs. Bev Desjarlais: There are 3,000 registered with your organization as members?

• (1150)

Ms. Cherilyn Jolly: Yes.

Mrs. Bev Desjarlais: How many of the farmers are part of the Farmer Rail Car Coalition?

Ms. Cherilyn Jolly: Our membership isn't a part of the Farmer Rail Car Coalition.

Mrs. Bev Desjarlais: No, no. So you don't know the membership; then how many people, how many exact farmers, are supporting the Farmer Rail Car Coalition?

Ms. Cherilyn Jolly: Mr. Harrison has announced that 90% of the farmers are in favour of the Farmer Rail Car Coalition. How he's gotten that number, we're not sure. I do know that APAS and SARM

are members of FRCC. By default, I'm a member of SARM, because I'm a taxpayer, I own land. So he's including me in his 90%.

Mrs. Bev Desjarlais: It's just that we're hearing from the organizations that they represent this many, they represent that many, and I think it is important to know exactly how many are actually represented in a particular association and whether all of those members are opposing or not.

Mr. Ruest, you mentioned the seven principles Transport Canada wanted to deal with. You indicated system efficiency, competition, commercial discipline, accountability. I don't think anyone has said that the system operates wonderfully. We have issues with the two rail lines being non-competitive and not having any choices. Yet now you're seeing a situation where there's a suggestion that the cars should be turned over or sold off to the rail lines as well, and they seem to be the biggest hindrance in the whole system of efficiency, of making sure that farmers get some benefit and that producers get some benefit out of the system.

I'm at a loss as to how we can somehow criticize a new player coming into the field, as having such great risk, when for years these other players have been involved and you haven't come up with an efficient system.

Mr. Jean-Marc Ruest: If you're suggesting that we haven't come up with a more efficient system, I think what we're advocating, when we talk about status quo or maintaining the current system, is that the ownership of the cars remain with the federal government, but that the irritants be identified and specifically remedied through changes to the Transportation Act, for example.

Are we satisfied with the railways' behaviour and the way they currently operate? Absolutely not. But that does not mean that transfer of the hopper cars is the way to address those problems. We firmly believe those issues need to be addressed, desperately need to be addressed.

Mrs. Bev Desjarlais: So you're not suggesting in any way, shape, or form that the rail lines should get access to those cars.

Mr. Jean-Marc Ruest: If the federal government is decided that they do not want to hold on to the railcars, that the government wants to divest itself of ownership of the railcars, then it ought to do so, we say, by way of a commercial sale, respecting commercial principles. If the railways are one of the bidders, and are successful in their commercial bid, as against other third parties putting forward a commercial bid, then we don't have any opposition to the railways purchasing the railcars at their fair market value.

Mrs. Bev Desjarlais: It's my understanding that the railcars were initially purchased for the benefit of western producers, to ensure that there were ways of getting their product to market. I know it has to be of commercial value. I'm wondering why, somehow, producers wanting to get more value for their dollar isn't seen as commercial, but it's seen as commercial if the rail lines and the elevators and everyone else are making more money. Should the farmers or the producers come up with a proposal where they're going to get more benefit, that's not considered commercial, it's considered social and political.

Mr. Richard Wansbutter: If I may, I would like to clarify one thing. As the Western Grain Elevator Association or as grain companies we do not oppose, and never have opposed, general ownership of the hopper cars by producers. That isn't the issue. The issue is that we've been trying to evaluate a proposal put out by the Farmer Rail Car Coalition that has a number of unknowns giving us a great deal of cause for concern.

So it's not the issue of producer ownership. When we look at the FRCC proposal and have no understanding of what they're going to do with those cars, specifically as it pertains to apportionment, I have to tell you, that's where our concern comes from.

Mrs. Bev Desjarlais: So if there are—

The Chair: Your time for questioning is up, Ms. Desjarlais.

Mrs. Bev Desjarlais: Okay, that's fine. I can wait.

The Chair: I'm sorry about that.

Now we move to Mr. Bezan for five minutes.

Mr. James Bezan (Selkirk—Interlake, CPC): In the current system, railways are working under a revenue cap. How would you see the FRCC proposal work with that limit of the revenue cap? What would happen initially, and what do you see happening long term?

•(1155)

Mr. Richard Wansbutter: Yes, it's a rather convoluted system, to say the least. What we anticipate would happen, or hope would happen, is that whatever is currently within the revenue cap that allows for maintenance would be taken out, and then whatever FRCC would charge for leases would go back in. One would hope that the net number, at the end of the day, would be less.

Again, we raise that as a concern. We find it unimaginable that after all this debate on the hopper cars, no one, the federal government through the CTA or the FRCC through all of the consultants it's hired, has been able to come forward with a number and say, "You know what? This is going to be the net effect on the producer's freight rate." That's another major unknown.

As I think Mr. Ruest stressed at the beginning, before we go forward with such a major transfer of a \$150 million asset, maybe we should pause here, analyze the numbers, and get them on the table so that producers know what the net impact and effect will be on their freight rate.

I can give you a general answer, but I can't give you a specific one, because where the knowledge resides, it hasn't been shared.

Mr. James Bezan: While we're sitting around discussing this, we come to the realization that the FRCC has some difficulties with your proposal. You're outlining those, yet you're also talking about the status quo being an option. I maintain that from a taxpayers' perspective, and even from the perspective of a producer—which I am—that would be extremely difficult, because we already have a fleet of railcars that are getting older, that aren't up to maximum capacities, and no reinvestment is happening. So the status quo, in my opinion, is not an option.

Let's be a little proactive here, a little more pragmatic, and start talking about what other options there are. How is that going to be best for the taxpayer, best for the farmer in terms of rates, and what's

going to work the greatest in the industry, knowing that we do have this competition issue?

Mr. Jean-Marc Ruest: The point you've raised is an interesting one, because you've identified an irritant or a concern with the hopper car fleet, i.e., they're aging and no provision is being made for replacement, so will the long-term supply of cars be available? That's a great observation and a very valid point. Why not address that specific issue head-on and say, so what are we going to do with these cars as they age and need to be replaced?

Do you necessarily have to transfer ownership at a nominal cost to a third party to ensure that happens? We say there are other options that should be evaluated and considered. For example, maybe as part of the operating agreement with the railways as it's renegotiated, include a provision for increased maintenance, more efficient maintenance, or replacement of the railcars in the long term. Those are options that are available and ought to be further considered.

Mr. Douglas Campbell: Mr. Bezan, I want to be very clear that the wheat growers do not favour the status quo. Far from it. What we say in our brief is that for the next year and a half to two years, you should do a major revamp of the existing operating agreement and deal with the maintenance issue, rail service, rail performance, and fleet replacement, and you look further at competitive bids.

In contrast to my honourable colleagues from the grain elevator association, the wheat growers feel the elevator association should also be bidding on the cars.

Ms. Desjarlais, I think that in part addresses the fact that while we all know railway competition is quite limited, grain company competition is much more extensive and grain growers are not a disinterested third party. They're very much involved in making sure they make their sales, so we would very much like to see shippers and carriers put in bids, but they must fully address these issues; they can't be just status quo.

Mr. James Bezan: Are you saying, then, that the most desirable thing would be a gradual phase-out to a commercial system, and that the commercial entities should bring in the higher-capacity cars and bring on line the efficiencies?

Mr. Douglas Campbell: Yes, very much so, from a farmer point of view, with the caveat that we need to see the impact on farmers. The farmers have to have some control, and they have to have flexibility here. It can't be like the Crow reform, where we had a deal with Mr. Lang and a deal with Mr. Pepin that we would get \$8 billion as compensation. What we got from the Prime Minister and the Minister of Finance today was \$1.6 billion. That's not where we want to head, so we have to negotiate.

•(1200)

The Chair: Thank you.

Mr. Drouin, for five minutes.

[Translation]

Hon. Claude Drouin (Beauce, Lib.): Thank you very much Mr. Chairman. I, too, want to thank our witnesses for appearing this morning.

Mr. Ruest, a little earlier on, you said that trade challenges already existed and that we must prevent them from recurring, because the situation is detrimental and harmful to the industry. However, you are in favour of the federal government maintaining control over the situation. Does that not contradict what you were saying? When the federal government is involved in the process, the Americans can say that the government is indirectly influencing the price. I am afraid that if the federal government remains involved they will accuse us of manipulating prices.

Mr. Jean-Marc Ruest: If the option is to transfer the cars to the FRCC, obviously, in our opinion, the situation will be worse, if we consider the implications with respect to our international trade obligations. So if our ultimate objective is to honour our international obligations, a commercial sale is the best scenario. In our opinion, if we weigh all of the elements and all of the factors in the system as it exists, modifying the status quo would be the most advantageous for the industry.

Hon. Claude Drouin: In your opinion, that would not have an impact on trade challenges.

Mr. Jean-Marc Ruest: If that were the case, it would be the status quo with respect to trade challenges. The existing trade challenges, in our opinion, are issues that we can resolve within the current system. Some trade challenges, such as a lack of competition between the two railway companies, can be overcome through legislative amendments to the Canada Transportation Act that would be designed to make the system more competitive. So that is how we recommend reaching that goal.

Hon. Claude Drouin: I would like you to elaborate a bit on that, because in your presentation, you mentioned the frustration being felt throughout the country, not only in Quebec, due to the lack of competition between the two rail companies. What you are telling me is that we could legislate to ensure that there is competition.

Mr. Jean-Marc Ruest: Yes.

[English]

Mr. Richard Wansbutter: I'd like to try to address that one.

The federal government spent some two years in consultations with the broad shipping community to address a good number of the competitive issues facing all commodity groups—not just grain, but sulphur, lumber, potash, intermodal, automotive—and the government did introduce Bill C-26.

To answer your question, can we do it through legislation, the answer is yes. There was an attempt to do that through Bill C-26, addressing a good number of the competitive aspects to enhance shipper protection clauses. When I say “shipper protection”, there were amendments in the act to allow us to challenge shippers' ancillary charges from the railways, like demurrage. There were changes that would allow us to move forward as a group of shippers to challenge a railway, rather than under the current act that allows only a single shipper to do it, which, as Jean-Marc Ruest pointed out earlier, is expensive, time-consuming, and very difficult.

There are also amendments in that act that were proposed to address some of the interchange issues—in other words, taking grain or commodities from one line and railway, moving it to the closest interchange, and moving it over another railway. There were changes

there to address some of those competitive aspects. Unfortunately, time ran out and Bill C-26 died on the order paper.

But to your question, yes, there were amendments. We thought there were some very positive amendments, but we don't know if the federal government has any intention of reintroducing that bill in some shape or fashion.

[Translation]

Hon. Claude Drouin: Thank you very much.

[English]

The Chair: Thank you.

We'll go to Mr. Gaudet for a couple of minutes.

[Translation]

Mr. Roger Gaudet: I would like to know what the difference is between the Western Grain Elevator Association and the Western Canadian Wheat Growers Association. What is the distinction between the two?

• (1205)

Mr. Jean-Marc Ruest: the Western Canadian Wheat Growers Association is a producers' association. Ours is an association of grain handling companies. Some of our members, however, are members of producers' associations. In other words, there may be producers who, through their investments, have purchased a grain elevator to handle grain.

[English]

The Chair: Thank you, Mr. Gaudet.

We'll go to Mrs. Ur for the last question.

Hon. Wayne Easter: Just as a point of information, Mr. Chair, I'd like to ask Mr. Ruest if it would also be true that some of his members would also be members of the FRCC.

Mr. Jean-Marc Ruest: I don't think any of our members are members of the FRCC.

Hon. Wayne Easter: None of the farmers who ship to you?

Mr. Jean-Marc Ruest: Maybe some of the individual farmers.

The Chair: [Inaudible—Editor]

Mr. Jean-Marc Ruest: Right.

Ms. Cheryl Jolly: What we're saying is that it's by default. They're including us in their membership, but we're not active members.

An hon. member: You haven't signed up.

Ms. Cheryl Jolly: Exactly.

The Chair: Thank you for that clarification.

Mrs. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): I think Mr. Ruest said in his opening statement that the government was moving in haste. Is nine years “in haste”? This first came up in 1995. I don't consider that to be haste.

My question is to Mr. Campbell.

Is your organization, Western Canadian Wheat Growers Association, strongly affiliated with producers more so than the railway companies? Do you have strong alliances with railway companies within your organization?

Mr. Douglas Campbell: Do we have a strong alliance with the railway companies?

Mrs. Rose-Marie Ur: Yes. I'd like an answer to that.

Mr. Douglas Campbell: We need them in the competitive sense because we can't truck it to market. We don't have a commercial relationship directly other than as individuals who may load producer cars and who need the railways to get them to market. As you may know, producer cars are only 3% or 4% of the shipments. So, yes, individual members load producer cars, and through that they only indirectly deal with the railways because they have to assign the grain to one of the grain companies, which have to agree to receive that at port before we get authorized to load our cars.

Mrs. Rose-Marie Ur: It's very confusing for a southwestern Ontarian person to understand the whole gamut of this situation, but I would think, whether it's your organization or FRCC or the Western Grain Elevators Association, none of you will survive unless we get the best option here for our primary producers, whether it's you, the farmers, the railways, or the grain elevators. So we all have to put our best foot forward here and not necessarily look at your bottom line. Without the primary producer, none of us is going to move ahead on this.

I'm just questioning some of the statements made here this morning, whether in all honesty you are here looking after the primary producer or whether you're looking after your own self-interest.

Mr. Douglas Campbell: Ms. Ur, if I might just finish, producers in the United States, Australia, Europe, and Argentina have significant advantages in the world export markets, particularly geographic, versus Canadian producers. We have a lot of geography to overcome.

Politically, we have a lot of regulation to overcome. We need the very best system we can create. That means an investment climate that's clear, that doesn't have grain companies or railways or farmers investing to the wrong signals.

We have to work together. We have to be a team, and that's why we favour a commercial approach as opposed to a political approach. We need to get our car cycles down. We need penalties and rewards all the way through the system for all three parties. We're willing to take the punishment as long as we can also get a reward. I think the same applies to the grain companies and it must apply to the railways.

Mrs. Rose-Marie Ur: I heard a real concern here this morning, and I'm not sticking up for FRCC but I am looking at the whole picture. But the way I always look at complaints such as this morning's, that they aren't totally up front or are not giving all of the plans forward, is with the old saying from where I come from: "Eaton's doesn't necessarily tell Simpsons what they're doing either"—and that's a catalogue company.

The Chair: Ms. Jolly.

Ms. Cheryl Jolly: If I might just make a comment, I can say without a doubt and without wavering that I represent farmers and producers, people who are actually tilling the land, people who are actually growing something on the land. I talk with farmers every day. My association and my membership is made up of actual producers who pay an actual fee to be a part of our group. FRCC has members such as SARM who consider me a member by default.

So what I'm trying to clarify is that the members I represent are asking me to represent them. Ninety per cent of the farmers FRCC is representing are not in agreement with what they're saying. I represent farmers, so if you're asking who is representing the best interests of the farmers, the Western Canadian Wheat Growers Association is here in the best interests of our producers, our proactive, forward-thinking producers, the next generation of farmers, the people who are directly affected by this decision.

• (1210)

The Chair: Thank you very much.

I think that's probably a good note to end on. It's very positive, at least. This debate will go on from both sides, with both sides believing they're putting forward a very positive argument in the debate.

Thank you very much for your presence here this morning and for your forthrightness in answering and responding to questions. Unfortunately, time is always of the essence around here and we gave you your hour, as I said we would. I trust that sometime in the near future we can put this issue to rest in the best interests of all people, particularly the primary producers.

So thank you very much again, and we would ask you to leave the table. We will have the new players come to the table and we will get their best spin on what they have to offer this morning. So for those who wish to take part in the luncheon, perhaps we can share time away from the table and we can continue on with our meeting, and as quickly as possible we'll have our new guests come to the table.

• (1210)

(Pause)

• (1212)

The Chair: I would like to bring the meeting back to order. We have our people at the table from the Farmer Rail Car Coalition. Our meeting will continue through until 1:30 p.m. Many have engagements following that. We want to be as close as we can to 1:30 p.m. so we would like you to be succinct in your opening comments and then we'll move to the questions.

We have with us Jim Robbins, vice-president and chair of the group. We also have with us Douglas Richardson, legal counsel, McKercher McKercher & Whitmore; and Bernie Churko, president of Saskatchewan Grain Car Corporation.

We have three players at the table. You're on, Mr. Robbins.

•(1215)

Mr. Jim Robbins (Vice-President and Chair, Farmer Rail Car Coalition): Thank you very much. Good morning to members of the committee.

The Chair: You have 10 minutes or less.

Mr. Jim Robbins: I will do my very best, Mr. Steckle. I'm sure you'll remind me if I'm—

The Chair: I will.

Mr. Jim Robbins: Thank you.

My name is Jim Robbins. I'm the vice chair of the FRCC. I'm a farmer from Delisle, Saskatchewan, a hands-on farmer. I farm 60 kilometres southwest of Saskatoon. I produce grains, oilseeds, pulses, and cattle. I'm here in support of the Farmer Rail Car Coalition proposal because I believe it has real benefits for my business.

I want to thank the committee for giving us the opportunity to appear and to answer the questions respecting our proposal. I have prepared remarks that probably exceed the 10 minutes, so I will shorten them, and I hope we'll get to a whole bunch of aspects as we go through your questioning.

We forwarded a document to you that outlines our proposal and compares it to the proposals of the two railways. I don't intend to read this into the record. I hope very much that you have time to have a look at those.

Turning to the FRCC's business plan, we are working in conjunction with KPMG and Macquarie International to develop this plan. That plan will give first priority to the transportation of western grain. It will ensure long-term availability for hopper car supply into the future, a very important point for us. It will improve overall hopper car maintenance standards. We believe we can do this while bringing the costs associated with maintenance back into line with industry standards. We will establish an immediate program to upgrade the existing fleet. We will also improve system efficiency through systematic replacement of the current fleet with hopper cars that meet the most modern standards. All of this will be done at the least cost to farmers.

I'm just going to speak briefly about the two other proposals. There are two others on the table—one from CN and one from CPR—and just briefly compare them to our proposal.

First of all, CN is proposing to purchase approximately 6,000 government hopper cars currently in service with CN at a market price. CN commits to undertake a major investment in extending the lives of certain older cars and replacing those cars that are obsolete or uneconomic. As compared to our plan, the CN proposal gives no indication of whether first priority will be given to transportation of western grain, and this is at odds with our commitment of course to do precisely that.

While CN proposes replacing the aluminum cars, it's unclear on the timing. We do have clear timing on when those cars will be replaced and we are committed to doing that. CN's proposal does not address the immediate need to improve the reliability of existing equipment, and we do think that is an important issue—gates and

hatches in particular—and improving reliability is a key part of our plan.

The proposal of CN continues the practice of farmers paying excessive costs associated with the maintenance of the hopper cars. Our plan, of course, wishes to address that and have those costs brought back into line with current practices, current available market rates. The CN plan does not speak to the revenue cap implications of any future decision to replace the fleet. I think it was clear from the meeting in Winnipeg on November 1 that CN would expect that any replacement they embarked on would of course be included in the revenue cap. Of course, if CN buys the cars—the current government fleet—there's an immediate increase in the freight rate for farmers.

Turning to CPR's proposal, our understanding of the CPR plan is that they intend to maintain the status quo, with the Government of Canada continuing to own the cars. In comparing their plan to ours, briefly, the CPR proposal does establish a plan to replace gates and hatches with no revisions to the level of the revenue cap, which is good, although we would submit since they have been in charge of these cars for this long period of time, they ought to have addressed this before now.

Their proposal continues the practice of farmers paying excessive costs for maintenance, the costs that are currently enshrined in the revenue cap. Again, this is at odds with our plan. It appears the proposal would end the practice of hopper cars being dedicated to movement of western grain. In other words, they would be freer to move them off into different kinds of service, and again we commit to western grain. CPR's plan does speak to the long-term replacement of the hopper car fleet, but again that replacement would of course have to be addressed from their point of view and the revenue cap. The revenue cap would have to go up.

Overall the FRCC plan for the operation of the federal hopper car fleet best meets the economic need of Canada for a cost-effective and reliable rail transportation. Moreover, the FRCC plan will improve overall system efficiency in the future through the introduction of larger-capacity hopper cars, resulting in improved international competitiveness.

•(1220)

Do I have a few moments, Mr. Steckle, to talk about some of the issues that have been raised with our proposal? I think it's worth spending a little bit of time on this.

•(1225)

The Chair: Five minutes.

Mr. Jim Robbins: Okay.

First of all, regarding FRCC membership, I think perhaps particularly to members who don't come from western Canada, the various claims of support must be somewhat confusing. We have claimed that we have 90% support of farmers in western Canada, and let me just explain why we believe that's the case.

We have large, general farm organizations in the coalition. Among the large organizations that are in the coalition are the Saskatchewan Association of Rural Municipalities and the Alberta Association of Municipal Districts and Counties. Both of those organizations are entirely composed of farmers. In the case of SARM, there are 2,000 delegates who attend their annual meeting. Issues such as the Farmer Rail Car Coalition have been debated at their annual meeting. In the case of SARM, there is one councillor for every 25 farmers in Saskatchewan. If the farmers of Saskatchewan oppose the Farmer Rail Car Coalition position, each one of them—as a matter of fact, all of them—would have ample opportunity to talk to their councillors and reverse the vote if they thought it was inappropriate. In fact, what's happened is that at SARM conventions this issue has come up several times and there have been resolutions, repetitive resolutions, yet it's always passed and has always been nearly unanimous.

In the case of the Alberta association, they have 500 delegates, and each delegate represents approximately 100 farmers. It's come up at two consecutive conventions and it has passed overwhelmingly. So when we say we represent the large majority of farmers, it's through mechanisms such as those.

We also have organizations such as the one that I represent on the board of FRCC, which is the National Farmers' Union. We are direct-membership organizations, as Ms. Jolly's organization is, and we operate on the same democratic rules of electing an executive, and people express the opinions that come through from the grassroots. Our organization is larger than Ms. Jolly's. It stretches across the country, and we're solidly behind this proposal as well.

So those are the kinds of reasons we base that 90% number on and claim it to be true.

In terms of railway objections, I'll be very brief here because there's only a couple that I think need to be addressed initially. We've heard from a number of presenters, including the WGEA this morning, that inserting a third party into the system will create inefficiencies and it will even increase car cycle times. We've heard that from the railways. What the railways are not telling this committee is that every component of our business plan is currently being done within the rail industry today. Private railway car ownership is not new. Shippers leasing hopper cars is not new.

What we're proposing isn't groundbreaking in terms of operations. For example, there are approximately 431,000 covered hopper cars in operation in North America; 278,000 of those cars are privately owned, i.e., not owned by the carrier, and a large percentage of these cars are leased out in the same way that we propose to lease our cars. That's in the way where we do the maintenance on the cars. We want to do full-service leases. So 278,000 out of 431,000 cars in North America operate on that kind of a system.

When they appeared before this committee, CN and CP both confirmed that some of their leased hopper cars are on full-service leases. In other words, the railways currently do this. The owners of these cars do the maintenance. I guess we're just puzzled. If it works for them already, why couldn't it work for them if we in fact were also in charge of cars that we were leasing on a full-service basis?

Another thing that's been brought by the railways is that in our maintenance cost figures we haven't accounted for things such as switching out for repairs. That's false. We do include all of those things, including running repairs that the railways will continue to do on our cars on the rails, if we get the cars.

We can cost that all out, because the vast majority of that falls under Association of American Railroads rules. Those rules are clear and compensation rates are clear, and we've done a very professional job of accounting for the maintenance costs we will have to pay.

Incidentally, we do have a document that we can submit, and I apologize to the committee and the chair that we did not have time to send it ahead of time. That document does outline how we calculated the \$1,500 figure that goes into our business plan. Unfortunately, it's not translated.

I saw a signal from you, Mr. Steckle. If my time is up, that's fine.

The Chair: I would bring that part of our program to an end, but I would suggest that when you send it to us, you send it to the clerk so that it can be translated, and then it will be circulated.

Mr. Jim Robbins: Certainly.

The Chair: Okay. We'll begin our questioning. We go to Ms. Desjarlais. We're going to continue the circle. We want to get everybody in today.

Ms. Desjarlais, do you have a question?

Mrs. Bev Desjarlais: Yes. I'm just in shock because I'm going first.

The Chair: We're going to continue the round. We want to get everybody in today, although I know you've been on once before.

Mrs. Bev Desjarlais: I appreciate it. It just took me by surprise.

I have a couple of things. I'm glad you clarified the membership issue, because I think it is important for the whole committee to understand that there is support for the Farmer Rail Car Coalition. I just want to say that I actually have a group that goes through my riding pretty much every year, called the Hudson Bay Route Association. Through their annual meetings, they have supported this process for the transportation of western grain products as well. I didn't want to get into numbers of the groups or anything like that; certainly they don't reach the numbers you are mentioning, but it is a fair group of individuals as well.

I actually have had the opportunity to deal with this issue through the transport committee in previous parliaments. I'm curious as to whether or not you're aware if Transport Canada has done any kind of review on the proposal you've put forth. Sometimes what happens is it gets caught between different groups and different committees.

Mr. Jim Robbins: Yes. Our business plan has been in place since 2002. In the last year, Transport Canada has done significant due diligence on our business plan.

I would have to say that at the opening of their examination they had some of the suspicions you have heard from the witnesses today, so they looked at it very skeptically. They went over it themselves, and they've hired outside help, as I understand it, in three regards. Deloitte & Touche was asked to look at our financial plan in detail, skeptically. They've hired trade lawyers to look at the trade implications of the Farmer Rail Car Coalition proposal. They've also hired lawyers to look at our governance structure, the company structure, and basically what I believe Doug calls the constating documents, which would establish our company.

So, yes, Transport has looked at this very intensely. You can have direct testimony from Transport, but it's our understanding that we have passed the examination.

Mrs. Bev Desjarlais: In regard to the replacement of the cars, it has come up that there's not going to be a replacement plan until about 2012, and you've indicated that there is one scheduled. There seems to be an indication that the cars need to be replaced sooner than that; however, testimony from CP last week indicated that the cars have a twenty-year life and that they're really in quite good shape. I'm just wondering whether that's been built into the replacements.

Mr. Jim Robbins: We have a replacement plan that stretches over the entire thirty-year life of our business plan. It's a scheduled replacement. As a general rule, what we've done is set it up so that when cars come to the end of their interchange life, they will be replaced. These cars were purchased over a period of time, most of them between 1972 and 1983. So there's a variable period of time when they hit that fifty-year interchange life.

We don't dispute what CP says about this being a basically good-quality fleet at the current time and that it has life left in it. It does. I think that on the average there are 22 years remaining in the life of the fleet. But there is scheduled replacement that we've scheduled for as early as 2011; the earliest replacements would be the aluminum cars that CN undoubtedly complained about when they were here before the committee. They're no longer at an industry standard and they need to be addressed.

Actually, CN has publicly criticized us for having no early plan to replace those cars. I believe they testified last week that they would replace them in four to six years. Our plan is to begin replacing the majority of them in 2011, so we're not really talking about different timeframes.

• (1230)

Mrs. Bev Desjarlais: Okay. Thank you.

The Chair: We'll move to Mr. Ritz for five minutes.

Mr. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chairman.

Ladies and gentlemen, we've had these discussions for the last number of years. We've reached certain conclusions, and some we haven't gotten to yet.

I'm looking at your list of supporters, the sixteen member organizations that you show there. Based on discussions with some of these folks, nine of them, or over half of them, are there because they feel they will have a bigger say in the allocation of cars, yet your own prospectus says you're not going to get into the listing or the appropriation of cars. Will you be able to keep these folks onside when they find out you're not going to do the allocation?

Mr. Jim Robbins: Gerry, I think it's obvious that when you have a large organization, and many organizations as well, it's complex in terms of communications. We do weekly updates for all of our members, and we expect that our members will update their members from our weekly updates.

We have been clear—and clear in writing—for a long period of time that the allocation of cars will not be part of our business. It's in all of our written documentation, it's on our website, and it's current through many weekly updates. Now, that doesn't mean everyone in our coalition has precisely the same understanding, of course. We work very hard at this communication. I think we're very clear. Our president, other directors, and I have been very clear in all venues. If there's a failure of communication in spots, we work at it hard. I guess that's all I can say.

Mr. Gerry Ritz: It's tough to hold a loose organization together. It's tough to herd farmers and get a consensus out of them. Eugene Whalen always said that if you want a consensus among farmers, you shoot all but one, and he may have been right.

Voices: Oh, oh!

Mr. Gerry Ritz: He was a Liberal. It was a simple method.

There are two groups that don't show up in your member organizations. I don't know if they're full-fledged members, but they certainly are financial backers, and they're the Saskatchewan government and the Canadian Wheat Board. Can you tell us about their role? Your board of directors will be comprised of nine people, I understand, and five are secured. Can you tell us who those five will be? Will the board include the Saskatchewan government and the Canadian Wheat Board?

Mr. Jim Robbins: No, the Saskatchewan government and the Canadian Wheat Board are advisers—

Mr. Gerry Ritz: Not financial contributors?

Mr. Jim Robbins: The Saskatchewan government has loaned us money so that we can do things like the business plan, and it has contributed some money as well.

In the case of the Canadian Wheat Board, yes, they have loaned us some money so that we can operate, maintain an office, and live through the eight and half years that this process has taken.

Mr. Gerry Ritz: If these are loans, how do you repay them, unless this deal goes through?

Mr. Jim Robbins: We repay them through our business when we're up and running.

Mr. Gerry Ritz: But if it doesn't happen, who is going to...? Of course, it's taxpayers and the farmers themselves who finance the Wheat Board.

Mr. Jim Robbins: If the business plan does not go forward, the arrangement is that the loans will be forgiven.

• (1235)

Mr. Gerry Ritz: All right.

I don't think that's coming out during the Wheat Board elections that are ongoing right now. I could point to some of the town halls.

Mr. Jim Robbins: You asked about the structure of the board of directors. The structure of the board of directors is the following. There will be nine farm groups represented on the board of directors. There is provision for three external directors, and these would be people who would be invited for their expertise in order to add expertise to the board. Of the nine farm positions, five are reserved for farm organizations that were there at the beginning, that are large, and that have devoted a good deal of personal contribution and effort to it.

Mr. Gerry Ritz: Can you name them?

Mr. Jim Robbins: Yes. The organizations that have the permanent positions are the Saskatchewan Association of Rural Municipalities; the Keystone Agricultural Producers, the general farm organization from Manitoba; Wild Rose Agriculture Producers, from Alberta; APAS, which is the Agricultural Producers Association of Saskatchewan and a general farm organization as well; and the National Farmers Union.

Mr. Gerry Ritz: APAS is basically a creature of SARM; they are funded through SARM.

Mr. Jim Robbins: I don't personally represent SARM, and I know SARM would differ with that. I also know APAS would differ with that. But perhaps this committee will have an opportunity to hear directly from those groups and they can answer better than I.

Mr. Gerry Ritz: Certainly.

Of the federal government fleet, there are roughly somewhere between 12,500 and 13,000, depending on whose junk you count. The Canadian Wheat Board leases 2,000 and owns 2,000. The Saskatchewan government manages a fleet of some 1,000 cars there, I understand. If the Saskatchewan government and the Wheat Board are so onside, why are their cars not part of the package that you will own and run and maintain?

Mr. Jim Robbins: The Saskatchewan government has agreed, if the coalition receives the federal cars, to negotiate transfer of the 1,000 Saskatchewan cars.

Mr. Gerry Ritz: Have they set a value, or are you talking about the nominal \$1?

Mr. Jim Robbins: No, it would be a negotiated price. There's no value that's been set.

Bernie, did you want to add something to that?

Mr. Bernie Churko (President, Saskatchewan Grain Car Corporation; Farmer Rail Car Coalition): That is correct. All the conditions that apply were related to the funding, which was repayable; that is, if they were successful in acquiring the cars, we would sit down and negotiate the terms of some transfers. Since there's been no transfer at the federal level, there hasn't been any discussion of any kind on what other conditions might be.

Mr. Gerry Ritz: Thank you very much.

The Chair: Thank you, gentlemen.

Are you ready to go, Mr. Kilgour? You have five minutes.

Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.): How many members does the NFU have in Saskatchewan, Mr. Robbins?

Mr. Jim Robbins: I'm afraid I don't have a current number for that. The national number would be in the order of 4,000 farm families; we sell farm family memberships.

Hon. David Kilgour: What would be your best guesstimate?

Mr. Jim Robbins: My best guesstimate would be that we would probably have issued three times as many membership cards as those 4,000 families, so it would be in the order of 12,000.

Hon. David Kilgour: Nationally or in Saskatchewan?

Mr. Jim Robbins: That's nationally.

Hon. David Kilgour: And in Saskatchewan?

Mr. Jim Robbins: In Saskatchewan, I'm afraid I just don't have that number; I can't break that out.

I know the area where we're growing the most rapidly is Ontario.

Hon. David Kilgour: I'm concerned, as others have indicated, about this idea of allocating directorships to five groups. I wonder if that's really likely to result in a board that is accountable and representative of producers generally.

Can you make any more comments on that?

Mr. Jim Robbins: Certainly. I guess I have three things to say on that score.

First of all, of the 16 organizations that are part of the Farmer Rail Car Coalition, when permanent positions were proposed, those that were not offered permanent positions raised no objections. They had no difficulty with that; it was not an issue. Second, the five organizations that have been offered the five permanent positions are the organizations that were there at the beginning, that have worked hard to—

Hon. David Kilgour: You've already said that.

Mr. Jim Robbins: I've said that.

The third thing I would say is that those five organizations are all general farm organizations representing a very broad base.

Hon. David Kilgour: Why not have an electoral process that allows everybody to be elected?

Mr. Jim Robbins: Actually, I think that would be a good idea, and perhaps the ideal, but very expensive. As you're probably aware, the Canadian Wheat Board does such an electoral process, and it is very expensive.

Hon. David Kilgour: You couldn't do it electronically these days with the Internet?

Mr. Jim Robbins: My understanding is not, that there's no sufficiently secure way of doing that.

Hon. David Kilgour: Sufficiently secure?

•(1240)

Mr. Jim Robbins: So that we could rely on the fact that votes were genuine votes and appropriately recorded, and there was a paper trail, etc.

Hon. David Kilgour: Would your proposal allow the cars to be a free-running fleet, or would they be dedicated to western grain corridors?

Mr. Jim Robbins: Our cars, once the lease agreements were concluded, would be part of a common fleet, just as the cars currently are part of the common fleet.

We would commit to having western grain transportation a priority. The federal government has always done that with this set of cars; it has never prevented some alternative service. I mean, there are times when cars are not required.

Hon. David Kilgour: Yes, I understand.

Would the cars carry other than western grain? Do you have any idea how much of its resources would be spent carrying other things from other parts of the country?

Mr. Jim Robbins: We do have in our business plan some estimate of the amount of business we would do in this kind of alternative service for other commodities. I'm afraid I don't have that number on hand.

Bernie, do you?

Mr. Bernie Churko: At the present time, there are three categories: there's statutory grain; there's what's called alternate-use grain, which means it's either domestic or U.S. or Mexican; and a third one is other products.

The current arrangement, which is essentially the same as the business plan, would be in the order of 25%, which is not statutory. Most of that is grain. A very small amount would be some other products than grain products.

Hon. David Kilgour: As you all know, at present there's a legislative car supply responsibility that applies to federally regulated railways. Do you plan to undertake a legal obligation to ensure car supply?

Mr. Jim Robbins: We would certainly be prepared to enter into an agreement with the federal government. If they would like that in writing, a guarantee in writing, we're prepared to do that.

Hon. David Kilgour: How do you plan to ensure that producers have enough cars at the relevant times or the needed times?

Mr. Jim Robbins: As you know, the ultimate responsibility for having enough cars available is the railways'; they have a common carrier obligation.

Our business plan is based on the premise that we would be trying to provide 50% of the grain car fleet that would be necessary. The way we would try to guarantee there's sufficient capacity is by improving maintenance, so that a car delivered is a car that can be loaded. We would also hope to increase it by having a very firm commitment to a replacement plan that would get better cars into the fleet at an early time.

The Chair: Your time has expired, Mr. Kilgour.

We'll move to Madame Poirier-Rivard.

[*Translation*]

Ms. Denise Poirier-Rivard: First of all, thank you for coming.

It would seem that the UPA, the Union des producteurs agricoles du Québec, is frustrated. Can you explain this frustration to me?

[*English*]

Mr. Jim Robbins: I can't explain in great detail what difficulties there are with grain transportation in Quebec. I'm sorry, I just don't have a great deal of knowledge on that.

I imagine that some of the difficulties that farmers in Quebec have mirror some of the difficulties we have in western Canada. Some of those difficulties would be related to the condition of hatches and gates on the cars that farmers need to load with their grain, in Quebec as well as western Canada. Some of it is probably related to railway competition or the lack of railway competition.

I'm sorry I can't reply in detail about the Quebec situation. I do know that the Union des producteurs agricoles in Quebec is part of the CFA, the Canadian Federation of Agriculture, and that the CFA has signed on to our proposal. They have tried to propel forward our proposal.

But beyond that, I'm sorry, I don't have detailed knowledge.

[*Translation*]

Ms. Denise Poirier-Rivard: What do you plan to do to guarantee that producers have a sufficient number of cars during peak periods?

Mr. Jim Robbins: In the western Canadian situation, the way we would try to guarantee capacity is through the provision of a renewed fleet, a very well-maintained fleet, maintained at a very competitive cost.

It is the case that the fleet of cars we would be putting in place, which 25 years from now will be a state-of-the-art fleet, will face times when western Canadian grain traffic does not require the entire fleet of cars. We are open, as I think many committee members around the table are aware, to the possibility that our cars would be used in alternative service, including grain service in places like Ontario and Quebec—on commercial terms, of course. But we would certainly be open to cars being available when they are not required for western Canadian needs.

Mr. Bernie Churko: If I could add to that, in terms of the peak periods, our maintenance plan is what's called a very proactive maintenance plan. At the beginning in the railway industry, it used to be a fix-it-when-it's-broke plan, but I have documentation from the entire association saying they're starting to transfer to....

Ours is very much proactive, meaning we will be predicting well ahead of time, based on condition-based monitoring, when work has to be done. So we'll plan that to ensure it doesn't happen in the peak period. When the cars aren't needed is when we'll be putting the cars into a situation where the repairs get done; therefore, we effectively increase the capacity when the cars are really needed.

•(1245)

[*Translation*]

Ms. Denise Poirier-Rivard: How would Quebec be served in a peak period?

[English]

Mr. Jim Robbins: Again, I'm a little unfamiliar with the grain trade in Quebec. It's my understanding that it's primarily a domestic trade; in other words, I don't think Quebec producers export grain to any great extent. It's also probably the case that Quebec grains move by truck to a greater extent than by rail.

But again, I reiterate that at times when the western Canadian grain fleet is not necessarily required for western movements, we will be looking for other uses for it, and we are open to the possibility of moving grains and even other commodities in other corridors, including Quebec, if that is consistent with our promise to make our priority western Canadian grain.

The Chair: We'll move to Ms. Ur.

Mrs. Rose-Marie Ur: I thank you for your presentation.

I'm quite interested. The other presenters last week were looking at giving us a bottom line for their maintenance cost of about \$4,300; your proposal is \$1,500. I'm really pleased with that number, but will—

Mr. Jim Robbins: So are we.

Mrs. Rose-Marie Ur: Okay, that's good, but will the farmers be happy with the numbers at the end? Will that give them the maintenance they need to ensure that their product gets to market in an orderly way, because that's a...? I'm all for cost savings, but I'm also there for the practicality too.

Mr. Jim Robbins: Yes. I'll let Bernie talk to this mostly, but just let me make an opening comment.

The \$4,329 that's embedded in the revenue cap for maintenance—and that's a Canadian Transportation Agency-generated number—

Mrs. Rose-Marie Ur: That's correct.

Mr. Jim Robbins: —may not necessarily represent what the railways are spending on maintenance, so I wouldn't presume that the \$4,329 equals what they're spending. It is, however, what they're earning, which is put in the column against maintenance. You might consider it a profit centre.

When we say \$1,500—

Mrs. Rose-Marie Ur: That's not transparency, though, is it?

Mr. Jim Robbins: Perhaps not.

Mrs. Rose-Marie Ur: Okay. I'm just mentioning that.

Mr. Jim Robbins: When we say \$1,500, we have canvassed the market in great detail. I think I'll turn this over to Bernie because he's the one who actually did the research.

Mr. Bernie Churko: If I can add, quickly, because the question of whether the \$1,500 is a reliable number has come up on several occasions.... I'll try to briefly go through our research—and we did research it thoroughly.

We looked at a total of nine companies that lease cars both on a full-service lease basis, that is to say, they provide them and do the maintenance, and they also will supply cars on a net-service basis. In every case, with the exception of one, all of the annual car maintenance costs were less than \$1,500 per car per year. The one that wasn't said the cost was trending up toward \$1,500 per year. So

that was one source, and these are very large—and some are small—owners throughout North America.

Second, we asked the major shops in western Canada that do the maintenance on cars and are very familiar with the fleet. If I can use some examples, GE Rail owns and looks after over 100,000 cars. They're bigger than any other North American railway. For example, CN owns in the order of probably 80,000 to 90,000—I could give you the figures here—and CP has somewhat fewer than that. GATX is also approaching 100,000 cars, and they're another major supplier. So these are not fly-by-night small operations. They are very familiar with maintenance and they know our cars. Their suggestion at the time was that it would definitely not exceed \$1,200 per year, based on their experience.

Third, we went to a major company that had a set of about 20,000 hopper cars, somewhat older than our cars but very much the same as ours, and they gave us access to the detailed information from their database. Their number, based on the mileage of our cars, is \$1,119 per year. In every case, our numbers were definitely within the \$1,500 range on all our research.

Finally, Deloitte & Touche Management Consultants were very, very thorough in looking at our business plan and they came down heavily on us on the question of maintenance. I'm just going by my notes because the information was not provided to us, but they said they agreed with the magnitude of our numbers for maintenance but thought it should be \$1,300 rather than \$1,500. We did convince them we needed to have some contingencies because there are some issues around the gates and hatches that we were somewhat concerned about, and they accepted that it would be a reasonable number. The document I provided to the clerk will provide additional information in that respect.

• (1250)

Mrs. Rose-Marie Ur: That being said, I believe some of you gentlemen have been here when the railways were presenting as well. In their booklet they have what their costing is and how your costing was. They said you didn't include many things, like heavy bad order repairs, future repairs, fixed costs, administrative overheads. Their administrative overheads must be phenomenal.

You said in your conclusion that the FRCC's plan was its ability to foster good relations among all participants in the industry. That's needed for sure with the railway company because it's pretty hard to move the cars if you don't have tracks to move them on.

Do you think you have a good enough working relationship to do the maintenance in their yards? Would they allow you? Have you pursued that avenue, or where would you do things like that?

Mr. Jim Robbins: No, we wouldn't be allowed to do fairly serious mobile maintenance on railroad tracks or in railroad yards, that's true. They have labour agreements, which we understand would preclude that. We have taken account of that when we developed the maintenance number.

We would still have the railroads do a good number of these repairs. Running repairs would be done by the railroads and billed to us. Those are little things that have to be done so the car can safely travel down the track.

In terms of mobile repairs, we would have to do them on private track. It would probably be track we leased, either from short-line railways or perhaps track that was about to be abandoned, which we would have to purchase. We would have to do some of those kinds of repairs if there were other service providers on track of our own or leased track.

The Chair: The time has expired.

We go to Ms. Desjarlais.

Mrs. Bev Desjarlais: The Saskatchewan government has a number of cars. Who does the repair on those cars?

Mr. Bernie Churko: The railways do the repair.

Mrs. Bev Desjarlais: That's CN and CP?

Mr. Bernie Churko: That's correct.

Mrs. Bev Desjarlais: Is that based on the \$4,300 figure?

Mr. Bernie Churko: Again, I think as Mr. Robbins indicated, there are probably three important numbers here. One, from the standpoint of our business plan, is the \$1,500, which we feel confident with. By the way, it does account for all 11 elements that the railway identified in its program other than...it's very clear. If I might, these books are from the Association of American Railroads, one a field manual of rules and the other an office manual. Every aspect of the kind of concerns that have been raised are covered in them. As a matter of fact, if you want to know exactly what it would cost to repair a brake shoe, it's in here. There are pages and pages worth of documentation, and again, they're standard practices.

The \$4,300, as Mr. Robbins has said, is a figure in the revenue cap, which is the ceiling. That's a second number.

The third number is what it costs the railways for maintenance. We don't know that number. In some ways it's the least important.

The important ones from our perspective are about whether we can do it for \$1,500 a car per year—and we know the answer is yes—and the second one, which the CTA provided. It says there's a number in the revenue cap of \$4,329. We say—and I think we concur with the WGA—it should be removed if someone else takes over the maintenance.

Mrs. Bev Desjarlais: I'm wondering, because obviously that figure has been touted as showing the Farmer Rail Car Coalition isn't going to properly maintain the cars, if you have done an assessment with many different companies using your costing items on maintenance. I'm curious how the CTA could have come up with a revenue cap of \$4,300—not that I want to get into the CTA's arbitrations or anything like that, but it certainly would appear that \$3,000 per car was going to the railroads at profit, at the expense of western producers.

Mr. Jim Robbins: Perhaps you should talk to the CTA as well, but I think the mechanism is that the last costing review of the railroads was done in 1992, and it would have had a figure in it for maintenance, probably broken down into types of maintenance. That figure has been inflated every year since then by an inflation index. That inflation index is still operating in the revenue cap. It's slowly going up, and there's no recognition of productivity in it.

•(1255)

Mr. Bernie Churko: If I could add something here, at the request of the Farmer Rail Car Coalition and the Saskatchewan Grain Car Corporation, together with John Edsforth, who's been a well-known specialist in this field for many years, an independent assessment of what the number would be was done. Based on Edsforth's model, about a year and a half ago the number was \$4,200. It seems to confirm, at least in our minds, that the number is about right. We had the independent work done and then the agency comes up with their number.

The Chair: Finished, Ms. Desjarlais?

Mr. Jim Robbins: Could I add something to Ms. Desjarlais' question?

Perhaps you're curious about why, knowing the numbers now, the Saskatchewan Grain Car Corporation doesn't pull the cars back and put them out at a full-service lease. I think the answer is that they've tried.

Mr. Bernie Churko: We have. We terminated our previous agreement on August 1. We're in another agreement until January and one of the issues up for discussion is this very one.

The Chair: Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you.

Mr. Churko, does the Saskatchewan government maintain their cars for \$1,500 a year?

Mr. Bernie Churko: The government doesn't maintain the cars at all. The railways do the maintenance.

Mr. David Anderson: Don't you keep track of the cost? You lease them out with maintenance done, or how do you do that?

Mr. Bernie Churko: That's right. It would be a net-service lease essentially, which means the other party is responsible for the maintenance. We have asked for the records but we have been refused.

Mr. David Anderson: You've been refused, even though you're the owner of the cars.

Mr. Bernie Churko: That's correct.

Mr. David Anderson: Mr. Chair, it seems to me that the Liberal government has basically screwed up this issue, like every other western Canadian one. We're sitting here today with increased friction, arguing about whether my members are larger than your members or not. This issue is now starting to divide agriculture in western Canada.

I want to make some points. Farmers' organizations, lobby groups, are basically now starting to fight with each other on an issue that's not even on the radar with the farmers in our part of the world. We have a government that has sat here.... There's no clear procurement process. It's eight years old. It's been revived in the last few months. There's a general complaint across the board in western Canada about the procurement process. There's no government analysis of the rate cap and its implications. We're starting to hear now that for ten years we've been overcharged \$3,000 per car per year, on the rate cap for that. There's no clear direction of political involvement for the car owners and what's going to happen with these cars, depending on where they go. There's no government plan to renew the fleet—there hasn't been—and it seems to me we're getting increasing politicization of this issue. The only people who end up paying the price on this are the farmers.

My first question is, I just want to know, what do you think, or what can the government do to begin to reduce the temperature, reduce the friction in this issue before it gets out of hand?

Mr. Jim Robbins: As you know, we believe we do represent a large number of farmers. The fact that, as you mentioned, it's not on the radar screen is probably due to the fact that this has been a long time in the mill. And I wouldn't disagree with that. There's obviously, dollar-wise, a very big crisis in net farm income in western Canada. If you're proposing that western Canadian farmers are more concerned with that at the moment than they are with the disposition of these cars, I would have to agree that they are. That doesn't mean that I don't think it's an unimportant issue.

In terms of lowering the temperature, we are open to any farm group applying for membership in the Farmer Rail Car Coalition—any and all farm groups. I'm perfectly open to that proposition.

Mr. David Anderson: You're one of the groups. I'm suggesting the government needs to take some leadership in beginning to lower the temperature of this debate that seems to be starting to take place. It really is driving wedges. We saw it today and we saw it last week. It's not a big issue with farmers. I phoned people in my riding prior to this meeting to find out how important it is to them. Some of these folks are involved with transportation issues. It just doesn't seem to be even an issue for them.

Mr. Jim Robbins: We recognize that at the moment...after all, in western Canada, we've had three small crops in a row. We haven't challenged the grain transportation system at all. Our anxiety is that cars going through time...and again, this isn't a bad set of cars, but these cars could be better maintained and they do have to be replaced. It may not be on the radar screen at the moment, but, for example, if CN's plan goes ahead and the cars are purchased at roughly \$200 million, freight rates will rise. The revenue cap will go up to account for that purchase and freight rates will rise. Will farmers be happy with that? I think not.

• (1300)

Mr. David Anderson: I'll ask about that. We've read some of your proposals that say freight rates will go down under your new regime—

Mr. Jim Robbins: Down slightly.

Mr. David Anderson: —and it seemed to be indicated in Winnipeg they could go up.

What will freight rates do if the cars are turned over to you? What will it cost me at the elevator in terms of my freight rate, after the maintenance is out and the other expenses are in?

Mr. Jim Robbins: If our proposal is allowed to go forward as described in our business plan, which means we'll take over the maintenance, we'll do a full-service lease back to the railways, the revenue cap should decline slightly.

Mr. David Anderson: Possibly about 25% of the \$4,000, is what you're saying, per car.

Mr. Jim Robbins: We can predict what that will be; I don't have that number with me exactly. But qualitatively, it's a small decline.

Mr. David Anderson: I have two other questions.

Bernie, I think you said the CTA had said the \$4,329 should be removed from the rate cap. Did I hear that accurately?

Mr. Bernie Churko: No, I didn't say that. The WGEA, I think in response to a question about how it should work, suggested that the maintenance should come out. If there was another owner, then the lease rates would have to be—

Mr. David Anderson: You have no commitment from the government to lower that rate cap?

Mr. Bernie Churko: We have none. The only issue that we know of is that section 151 specifically addresses the question of what happens when the federal government's are either sold, leased, or otherwise withdrawn from service.

Mr. David Anderson: If that rate cap is not lower and you lease the cars, then the farmers will be charged...the lease rates will go on the expenses they're paying. Unless that rate cap is lowered, it will actually cost farmers more.

Mr. Jim Robbins: That rate cap does need to be lowered, and clearly there would be no case to be made for our providing the cars on a full-service lease to the railways and their also having double counted line items for maintenance in the revenue cap.

Mr. David Anderson: You mentioned earlier that Transport Canada had done due diligence on your proposal and it seemed like they were very accepting of it, but your proposal calls for the cars to be given at a nominal fee.

Mr. Jim Robbins: That's correct.

Mr. David Anderson: The minister and Transport Canada are willing to give you basically only a five-year lease-to-own proposal. I'm just wondering, why are they reluctant to go ahead with your proposal?

Mr. Jim Robbins: We have not entered into negotiations with Transport Canada for the transfer of the cars. Frankly, on the proposal to do a five-year lease, we know no more about that than you do. It was mentioned by Transport Canada at the November 1 meeting in Winnipeg.

I'm afraid that's a question you'd have to ask Transport Canada.

Mr. David Anderson: When do you expect to start discussing that with them, since that made the whole...?

Mr. Jim Robbins: We would like to begin discussions with them as soon as possible. It's very important that we're up and running by the beginning of the next crop year.

The Chair: Okay. You've done very well. We gave you a little extra time for your patience today.

We'll move to Mr. Easter for five minutes.

Hon. Wayne Easter: Thank you, Mr. Chair.

Just spinning off Mr. Anderson's point on the situation in western Canada, from your perspective, what would your proposal do in terms of either leaving more money in farmers' pockets or lowering the cost to farmers?

How does your proposal compare to others in the system in terms of seeing that benefits accrue to farmers?

Mr. Jim Robbins: There are three proposals: CN's, CP's, and ours.

Our proposal suggests that what is currently in the revenue cap for the railroads should come out because we would provide full-service leases. We would lease those cars back on statutory grain export routes at less than market. The net consequence of that would be that the revenue cap would decline slightly. That should lead to a slight decline in rates, which farmers would see at the elevator position.

CN's proposal is that they would purchase the cars. They make no requests, I believe, to have the maintenance section of the revenue cap adjusted downward. They would like to see the status quo. In their proposal, money would change hands; the railways would pay for the cars. That would be accounted for in the revenue cap. They would be allowed to recoup the cost of that purchase through the revenue cap. Rates, I think, would have to rise under that proposal, and they would have to rise immediately.

Under CP's proposal, there would be a continuation of the status quo, and cars would retire at the end of their useful lives. If I could be permitted, the CP proposal would be transfer at a nominal sum as well. If CP operates 6,000 cars from 1972 until the last one goes out of service 25 or 27 years from now, at no capital cost, that would be a nominal transfer as well.

But CP suggests the status quo. They don't want the revenue cap adjusted for maintenance, so that would stay the same. There would probably be no immediate cost increase in tariffs, but as replacement occurred, they would have to have money for that, and rate increases would occur at that time.

• (1305)

Hon. Wayne Easter: Thanks, Jim.

Obviously, then, this proposal would put more money back into the farmers' pockets. We'll see when it comes to cutting the mustard, David, where you're really at on this issue.

You mentioned in your opening remarks, Jim, about switching out. You called it switching out—the cost of moving cars to repairs, etc.

Mr. Jim Robbins: Right, for maintenance functions.

Hon. Wayne Easter: I guess I'd direct this question at Bernie.

When the railways were here they—CN specifically—tried to make a fairly strong point on their repair shops and the cost of going across their lines, etc. This was a cost you had not calculated for.

What's your point of view there?

Mr. Bernie Churko: Our business plan covers all of those issues. For clarification, there are some maintenance issues we would not be responsible for. That's clearly spelled out in these rules. For example, if there's a side-swipe, which is a problem the railway created by itself, that continues to be their problem and wouldn't be included in our plan.

But specifically looking at the transport—and that was one of the issues raised—I have here Canadian National freight tariff number CN 6544-B, which specifically says that 5% of loaded miles are allowed as excess empty miles to account for repositioning of fleet or movement of cars for maintenance and labour. There's a corresponding CP tariff that provides the same sort of 5%.

There are industry practices for all of these issues. There are switching issues if you're within switching limits or if you're outside switching limits. Our plan, I think, was very comprehensive in trying to address those issues. Is it possible we could have slipped up some way or other? So far the expertise looked at, plus Deloitte Touche, didn't find such cases.

These are very common practices. There are published tariffs; there are practices out there. Our maintenance management manages 100,000 cars. That's Alltranstek. These are not people without experience in the business.

Hon. Wayne Easter: Thank you.

I have a last question, Mr. Chair. It's one that came up last week and from some of the presenters this morning. It is about, if I can call it this, the two-year dilemma.

You're being accused of not telling us the whole story of what's going to happen after two years. This mainly relates to where these cars will be dedicated in the allocation process. Could you answer two things? One is, how will your allocation process compare with the current process and practice? The second is, what happens after two years?

Mr. Jim Robbins: First of all, in terms of current practice, we need a transition period as we receive these cars and begin managing them. What we've said up front is that for two years we'll apportion these cars between the railways as they are apportioned, and we will lease them only to the railways for the first two-year period. I don't think there's any uncertainty attached to that period at all, and I don't think you heard the WGEA worrying about that first two-year period.

But they did worry about the period of time that comes after that. Basically what they're saying is they want to know our full slate of lease products through the full 30 years of our business plan.

We, of course, could have short-circuited that opposition very easily by saying we will lease, for a 10-year or a 20-year period, to the railways. The reason we have not said that is that we think there is some possibility of innovation here. That's point number one. We think it might be the case that cars offered to shippers would be attractive to shippers. Perhaps they would be even useful to shippers in negotiating with railways, which we heard today are not forced to compete in many places in many corridors.

We don't know that we can produce a product that would be of interest to shippers, but we would like to explore it. Because there are anxieties on the part of the WGEA, we are prepared to commit to two things.

First, we would not take any significant portion of the fleet away from its current use—being leased to the railways—without a very extensive consultation and development process that the WGEA would most assuredly be invited to be a part of. We would do nothing without heavy consultation.

Second, we would commit to doing any leasing of products on an experimental basis before the products were generally released, to see whether it worked or didn't.

Third, we would be prepared to commit to Transport Canada oversight to reassure shippers that we aren't going to do anything that's arbitrary or prejudicial or foolish. We're willing to commit on all of those points.

We know they're anxious. We are trying our level best to assure them we will be an entirely responsible partner in the grain transportation system.

• (1310)

The Chair: Thank you.

We had some good questioning and we allowed the questioning to go on. But we have to move to Mr. Gaudet now, for five minutes.

[*Translation*]

Mr. Roger Gaudet: Thank you, Mr. Chairman.

I have read your objectives and principles. Your main objective is to implement your plan with no added costs to producers. If I understand everything—I have read your entire document—the third element of your plan reads as follows: “we will replace the fleet to modern standards over the next 30 years”, which means 400 cars a year out of a total of 13,000 cars.

How will producers obtain a new fleet without any added costs? That is not taking into account maintenance. If you are required to purchase an average of 400 cars a year—I do not know how much they cost—and you must set aside approximately \$4,000 a year for maintenance, how will you ensure that this will be done at a lower cost to producers?

[*English*]

Mr. Jim Robbins: It will be done at a lower cost to producers for two reasons. When we have the fleet, we will charge lease rates when they're leased—to railroads initially, and perhaps only to railroads, but perhaps ultimately to shippers too. Our business plan leaves us very confident that we can charge below-market lease rates. That's one saving to farmers.

The other saving to farmers is on the maintenance side. We are entirely confident that we can do a better job of maintenance for \$1,500 per car per year. As you've heard today, what's in the revenue cap for maintenance is currently \$4,329 per car per year.

Mr. Bernie Churko: Let me add one very short point, because he talked about modern standards. I think we have to understand that our main competitor in North America is advancing very quickly to a modern fleet. I have data from a study here that indicates in 1999,

24.7% had the new heavy standard; 37% in 2003; and by 2010 they were going to be up to about 55% to 60%. Our strategy says we want to move in that direction as well.

This same study says there is a 10% productivity gain with a new fleet. We don't see that same kind of commitment to modernizing the fleet to the higher standards in the other proposals, so modernization is another area producers would benefit directly from.

The Chair: Do you have any more, Mr. Gaudet?

[*Translation*]

Mr. Roger Gaudet: Thank you.

[*English*]

The Chair: We'll move to Mr. Bezan.

Mr. James Bezan: I want to go back to membership. How many members would you represent in Manitoba among the producers?

Mr. Jim Robbins: Do you mean my organization?

Mr. James Bezan: No, the Farmer Rail Car Coalition.

Mr. Jim Robbins: I'm sorry, I don't have membership numbers on Keystone Agricultural Producers. Manitoba is your province, I assume?

Mr. James Bezan: Yes, it is.

Mr. Jim Robbins: But you are familiar with Keystone Agricultural—

Mr. James Bezan: Yes, I am.

Mr. Jim Robbins: It's a general farm organization. They're funded by a check-off. People can voluntarily withdraw. I'm sorry I don't have their numbers, but I would think they're easily the largest farm group in Manitoba.

Mr. James Bezan: Actually, they're not. They're at just over 5,000 members. I guess by default, if you count in my membership through the Manitoba Cattle Producers Association, which is part of KAP by default, they have my membership, but realistically, direct-paid membership is only 5,000 out of 27,000 producers.

Mr. Jim Robbins: And the largest organization is?

Mr. James Bezan: The Manitoba Cattle Producers, with over 10,000.

• (1315)

Mr. Jim Robbins: But did you not just say that they were part of

Mr. James Bezan: They belong to the membership, but you can't count a farm organization's membership into a general farm organization. I think you have to count individual members who actually support them financially. I belong to MCPA, but I don't consider myself a member of KAP.

Mr. Jim Robbins: But is it not the case that if the executive of MCPA did not wish to be part of KAP and didn't support KAP positions, they are quite free to withdraw?

Mr. James Bezan: I suppose that's true, but there's no question that this discussion about railcar allocation and ownership has not been happening at the grassroots level. In my riding, it's a non-issue. It's not buzzing around the coffee shops with people debating who should own the railcars. Actually, this is something that never even was brought to light with me until I was elected, and I've only had a couple of people ever mention it—people who are directly involved, of course, with FRCC.

Mr. Jim Robbins: Can I make a comment on that? I agree it's not a hot topic at the moment. It was a hot topic in 1996 when the SEO committee suggested the cars should be sold to the railways for \$100 million and farmers should pay for that sale through the tariff. That was the impetus for the beginning of the Farmer Rail Car Coalition, and it was a stir at that time.

Will it ever be a stir again? I suggest if the CN proposal goes forward and rates rise immediately, it will become an issue again. And if the cars are not replaced in due course, it will become an issue again.

Mr. James Bezan: Still on membership, have you guys ever thought about just going out and selling memberships to find out how many individual producers will actually participate in a voluntary manner in your organization, and let them be the governance of the association, rather than having this controlled governance?

Mr. Jim Robbins: We're an organization of organizations. We rely on our organizations to do the grassroots work they need to do.

Mr. James Bezan: Essentially, you're getting farm politicians, then, rising to the top of this organization.

Mr. Jim Robbins: But as I'm sure you're aware, politicians are responsible to their constituents. As you are, so are they.

Mr. Douglas Richardson (Legal Council, McKercher, McKercher & Whitmore; Farmer Rail Car Coalition): Let me just add on the governance issue. As was explained earlier, we would have nine directors, made up of producers. The goal is to have farmers on that organization representing farm groups. We'll also have three outside directors who are not related, who may bring financial experience, for example. Our goal is to have the highest possible governance practices in the country. We've looked at the TSX; we've looked at Sarbanes-Oxley. I can tell you the Department of Transport has been very diligent in trying to impose the highest governance standards. Our constating documents are, in my opinion, at a level the same as or higher than those that are employed by the airport authorities.

One of the things Transport has insisted we look at is broad public meetings, with the best possible transparency and reporting not only to members but to all those in the farming community. I think there's a huge possible base.

If I could reiterate one last point, we welcome and urge others to join our group. As long as they'll adhere to the basic principles, we'd love to have them.

Mr. James Bezan: I would still suggest that if you want to find out how many producers actually want to support the Farmer Rail Car Coalition, go out and do the individual membership drive. By default, when you have all these organizations that tend to lump their

memberships together and add them up, that isn't really speaking on behalf of the grassroots.

On the expertise issue—you did raise that, Mr. Richardson—I'm wondering what expertise is going to be there. You say the majority of directors will be farmers, and you're talking about nine farmer directors and three appointed directors. What type of expertise are these people going to bring to managing a railcar fleet?

Mr. Douglas Richardson: It's interesting. We first started this process back in the mid 1990s—and bear in mind the process started because the Government of Canada decided to devolve the ports, the airports, and the hopper car fleet. In doing that there was a response, as Jim said, to the proposal. It was simply going to have the cars go to the railways.

I can tell you there was an early meeting in which a senior official—not in the department today, I can tell you—suggested to us that producers weren't bright enough to handle this project.

Mr. James Bezan: I wouldn't say that. Producers are very resilient and very knowledgeable, but at the same time—

Mr. Douglas Richardson: That's my point precisely.

The Chair: Let's allow the answer, because your time is up and we want to hear the answer.

Mr. Douglas Richardson: The point I'm trying to make is producers are as sophisticated as any in this country today. To suggest they're not going to bring expertise to the process and that those on Bay Street, for example, who run the largest companies in this country are any smarter than producers is a mistake.

The point that should not be overlooked is the directors are going to direct the company, and at the end of the day they're going to employ the best possible staff they can to run this organization.

● (1320)

The Chair: We'll move to Ms. Desjarlais for just one question, please. I want to bring in two more questions.

You'll have the last one, Mr. Easter.

Mrs. Bev Desjarlais: I mentioned the Hudson Bay Route Association because I've heard around here this isn't an issue with farmers at the grassroots level. But it is very much an issue. Year after year, since I came here in 1997, I have met with the Hudson Bay Route Association, made up of farmers and producers throughout Saskatchewan and Manitoba—very much supportive of this process each and every year. I was with them this summer, and again they made it perfectly clear to me that producers in Saskatchewan and Manitoba support the Farmer Rail Car Coalition because it's one of those areas where it's finally going to bring some benefit to western grain farmers. They've been through absolute hell over the last number of years.

I'm glad you made the point, Mr. Richardson. I find it extremely appalling to somehow suggest that farmers and producers who have been more or less providing wealth to this country—and certainly in western Canada—don't have the capabilities to do the job...yet we can see a situation where it hasn't operated efficiently with the present rail lines.

I'm also extremely pleased that you brought up the whole airports issue. On the suggestion that the cars are going to be turned over for nothing and should be turned over at market value, that was not the process with the airports or the ports. These cars should be given the same consideration. They were put in place to benefit western grain farmers, and by gosh, they damn well should benefit western grain farmers.

The Chair: Let's forego the comments there so we can get in some questions.

Mr. Easter, one question, not two or three.

Hon. Wayne Easter: I wouldn't try that, Mr. Chair.

There was quite a bit of questioning by other witnesses at the Winnipeg meeting about whether or not you've been up front with your business plan. They really haven't seen your business plan. Part of it relates—and you've already raised this—to what's in the revenue cap in terms of repairs—\$4,329. Both CP and CN have disputed that CTA figure, but that is what is in the cap for maintenance repairs, even though they've disputed it and believe the CTA has used flawed methodology.

Your business plan is really key to it. Can you do it for \$1,500? I wonder what assurances you can give us that your business plan is in fact intact, and what backup you have for it.

Mr. Jim Robbins: We hired the best. Macquarie International did our financial plan for us. They do large transportation deals internationally. They are, I believe, the largest merchant banking company that does transportation deals in the world. Certainly on rail they are the largest. So we went to the best.

We've had that work submitted to Transport Canada. They have gone over it and have hired a third party, a national accounting firm, Deloitte & Touche, to go over our business plan in very great detail. I think you would have to say their brief was to be skeptical.

So I think we've passed the test of economic prudence. The business plan is functional, and not because it's magic. The business plan works because we're tax efficient—we'll be a not-for-profit. It also works because we're capital efficient. We will not have to pay dividends to shareholders and we will not have to pay interest on debt. There's no magic to it, but it does work, and it has passed the scrutiny it has been subjected to.

We have not released that, and I cannot see for the life of me how we could. We may shortly be in negotiations with railroads on lease agreements. What would the wisdom be of revealing everything about our financial affairs before we entered into such negotiations? Similarly, because we think there is some possibility down the line for leased products offered to shippers, we can't release that to shippers. But I think we have gone more than a country mile to prove that it works.

The Chair: Thank you very much.

Mr. Ritz, for one question.

Mr. Gerry Ritz: Thank you, Mr. Chair.

Staying with the maintenance factor, gentlemen—and I won't dispute your numbers—I have a bit of a concern that we're doing maintenance on 30-year-old equipment, on average, so the

maintenance is going to go up, not down, to continue the 20-year lifespan, in my estimation. I've worked with iron all my life—a bit of trucking in my former life.

I'm wondering if your maintenance program reflects the reality in Canada. We're dealing with extreme temperatures. Frost is a tremendous metal fatiguer. The cost of couplers, brakes, and wheels on my semis that were run in the mountains were two and three times the cost when running on flat land. So do your maintenance costs reflect the reality that we run through some of the worst terrain in North America? When you compared them to other models you said one didn't fit, but do you reflect the terrible stress and strain that these cars are going to face as they get older and keep running in the mountains?

● (1325)

Mr. Jim Robbins: Yes, we have accounted for that, and Bernie can give the detailed answer. The difficulty here is the doubt people have in their minds. Of course, CN and CP don't reveal their actual cost numbers, so we don't know what those are. So we're comparing our \$1,500 to a phantom. But we have cross-checked that very thoroughly, and we have been cross-checked, in our turn, very thoroughly on those numbers. We take weather, age, and all of that into account.

Just for example, on the age and the increase in cost, we have built into our financial plan inflationary increases to these inputs—the things we'll have buy to keep the cars in order. We also have built into our plan a maintenance reserve that will allow if things suddenly increase. For example, the price of steel has increased suddenly in the recent past. For those kinds of shocks, we have created a maintenance reserve. It would allow us to absorb quite comfortably increases of 25% in maintenance in any one particular year.

The Chair: We have to cut it off there. We have two motions we need to deal with before we terminate our meeting.

Mr. Gerry Ritz: This is so much more important.

The Chair: I know it's important business, but we have to do this at some point because there are commitments made beyond 1:30 today.

Thank you very much, gentlemen, for appearing this morning and so eloquently presenting your case, as all the other presenters have. We look forward to perhaps meeting again sometime, hopefully when we have resolved this matter. Thank you again.

Mr. Jim Robbins: Thank you very much for the committee's time.

The Chair: Now I have a notice of motion that has been given the 48-hour notice. The first one is by Wayne Easter that pursuant to the study undertaken by the Standing Committee on Agriculture and Agri-Food of the federal government's hopper car fleet, the committee call before it officials from Transport Canada to speak to the issue and to the proposals placed before the department by parties interested in acquiring the hopper car fleet.

Mr. Easter, do you want to do this in two parts?

Hon. Wayne Easter: You might as well do it all together.

The Chair: The second part is that the committee undertake to call before it representatives of the Canadian Wheat Board to address the view and position of the Canadian Wheat Board with respect to the future of the federal government's hopper car fleet. Witnesses are to appear before the committee as soon as possible.

(Motion agreed to)

The Chair: We have notice here that Mr. Angus, who is not here with us this morning but is represented by Ms. Desjarlais, would like to file a motion, and he has done so in the 48-hour period. It is that the Canadian Wheat Board appear as a witness before the Standing Committee on Agriculture and Agri-Food as part of the committee's consideration of grain transportation, the hopper car fleet. Ideally, representatives from the Wheat Board would appear at our December 2 meeting.

Hon. Wayne Easter: Mr. Chair, that's already covered under the first one.

The Chair: Yes, but we have to put it on the table.

Okay. We've already taken care of that one.

Mr. David Anderson: Mr. Chair, they probably shouldn't send any directors, though, because they're in the middle of an election campaign. We certainly don't want to influence that.

The Chair: Well, I'm sure we're all concerned about that, but that is really their concern and not ours.

Thank you very much for your presence and for your involvement here this morning. We will be dealing with PMRA on Thursday.

The meeting stands adjourned.

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