



House of Commons  
CANADA

# Standing Committee on Agriculture and Agri- Food

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AGRI • NUMBER 039 • 1st SESSION • 38th PARLIAMENT

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EVIDENCE

**Wednesday, May 4, 2005**

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**Chair**

**Mr. Paul Steckle**

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Wednesday, May 4, 2005

•(1535)

[English]

**The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)):** The chair calls the meeting to order.

We have just a few housekeeping matters before we begin our afternoon of testimony. You have the chair's statement in front of you, as part of your information package this afternoon.

Bill C-40 is not a long bill, but one that we must get through the House before we recess for the summer, so I would ask that all members get their amendments to the clerk by 5 p.m. on Monday.

That gives you all weekend, Gerry, to get your amendments together. Just have patience with the chair, as I'm doing my best, and if you cooperate we'll get it all done.

That having been said, I think we're ready to move to our witnesses this afternoon and begin hearing testimony on Bill C-40, An Act to amend the Canada Grain Act and the Canada Transportation Act. First, I need to call clause 1 so that we can hear witnesses. I'm doing that now.

The witnesses in the first hour of testimony this afternoon are, of course, no strangers to this committee. We have, from the Department of Agriculture and Agri-Food, Howard Migie, director general of the strategic policy branch; from the Canadian Grain Commission, Reg Gosselin, director of corporate services; and from Transport Canada, John Dobson, senior policy coordinator, grain monitoring, surface transportation policy. So we have three gentlemen who are about to give testimony.

We'll start with you, Mr. Migie.

**Mr. Howard Migie (Director General, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you, Mr. Chair.

I've handed the clerk copies of remarks. I will not read them, as they're quite lengthy. I'd like to give you the highlights.

The purpose of this bill is to bring Canada into compliance with the WTO decision that identified, in our legislation, three grain-related provisions lacking national treatment. This means that we weren't providing imports the treatment we had agreed to. There are two provisions of the Canada Grain Act that this bill would repeal. There's one provision of the Canada Transportation Act that the bill would amend. With those three changes, Canada would be in compliance with the WTO panel.

As you can see from the shortness of the bill, it does no more or less than what is required to implement the WTO panel decision. It allows us to maintain our quality standards.

Let's consider the two changes to the Canada Grain Act. The provisions that were out of compliance on national treatment required advance notification before imported grain could enter the elevator system. There was a similar type provision with respect to mixing. These two provisions have not prevented or impeded imports in any way. Our reasons for importing are based on economics and geography, not the types of provisions we're talking about here. Under them, you need advance permission from the Grain Commission to import. It was never an impediment to trade. It was easy for us to make these two changes without expecting any increase in imports to result.

In addition to removing these two provisions, there would be a regulation under the existing act whereby elevator operators would report the origin of all grain. It is a simple solution, and the panel more or less indicated this to us. The Grain Commission can still have all the information it needs. The elevator companies report the origin of all grain, whether it's mixed, imported, or Canadian. We have the same information to protect the quality of our own grain. Yet we're not in any way violating national treatment obligations. We're not treating imports any differently than we treat our own production.

We can say with confidence that these are the changes required by the decision. It won't in any way affect our policy. We will still have a good-quality system in place so we can distinguish our grain from other grain, and we don't expect the change to cause an increase in imports.

Let me turn to the Canada Transportation Act. We have a revenue cap in the Canada Transportation Act that now applies only to grain grown in western Canada. In part, it's the same eligibility that applied to the old Crow rates. Under the Western Grain Transportation Act, we had a government payment to the railways as well as the same eligibility requirements. It was only grain grown in western Canada that benefited from those provisions. We carried that forward under this revenue cap.

The important point to note is that the revenue cap doesn't regulate individual or freight rates. It's a cap on overall revenues so that the railways have some flexibility in adjusting freight rates. There is, however, the potential for an increase in imports as a result of this change. We have proposed to apply the revenue cap to imported grain. It still has to meet all the other requirements.

•(1540)

The grain must be imported, and then it would be transported to the west coast ports for export, or to Thunder Bay for moving on to either eastern Canada or for export.

The provisions we have put forward do not apply to grain in transit. It's clear it's only for imported grain. But grain that is imported and then exported is eligible. That way we are meeting the national treatment provisions. The question is, what will be the impact of this particular provision?

The freight rates in western Canada, under the revenue cap, have generally been lower than what they are in the States just below the borders of Manitoba, Saskatchewan, and Alberta, especially going to the west coast. But there are also handling issues. If someone is going to import U.S. grain into Canada, transport it to the west coast by rail, and then go through the Canadian elevator system, whether or not that was a profitable move to make would depend upon the freight rates and handling charges in the two countries and the cost of either trucking or getting the grain from the U.S. into Canada. We don't know, because they're all commercial decisions.

The elevator charges are set commercially in both countries and the freight rates are set commercially. We know that right now there is a differential and the freight rates vary, depending on the location in the prairies, but there are also these added costs. So there is a possibility that some grain, as a result of these decisions, would come into Canada to be imported, and then later moved to port position under the revenue cap.

One other point to note is some U.S. grain already comes through Canada in transit. That's not affected by this provision, but we may find that any increase in imports will mean less grain that's already going in transit. U.S. grain moves through Canada and doesn't go through the elevator system at all. It just goes straight west through Canada and then down into the States again. In one year it was over a million tonnes. The amount varies. Part of it is because the freight rates just south of the border are quite high compared to the Canadian freight rates. There is an incentive already to move some grain through. So if there's an increase in imports, it may be at the expense of this grain that's in transit.

I might also add that we have a continental market. We use the U.S. system as well. We send grain by rail through the Untied States to Mexico. We send grain to gulf ports by rail, and then it goes to the Caribbean. So we use the U.S. system, and under this provision, the U.S. could use our system under the revenue cap. Right now they can use our system for this in-transit move, for example, but it's not covered under the revenue cap. That's the issue that was found not to be in compliance with the national treatment provision.

We had a proposal during consultations to exclude grain that's imported, if it's subsequently exported, from eligibility under the revenue cap. That would mean U.S. grain that was imported into Canada could not move under the revenue cap to either Vancouver or Prince Rupert. It could go to Thunder Bay if it wasn't for export under that particular proposal; however, that was done before we finalized this bill.

We believe that particular provision would not be in compliance. We would be out of compliance if we were to say grain that was

legally imported into Canada and then later exported would be from now on called "grain in transit" under this bill. Because our traditional view of the words "import" and "grain in transit" means if it's imported and then exported, that is considered imported. If grain is in transit now, the way we have it—where it doesn't stop anywhere and doesn't get unloaded—that is in transit. We feel we would be challenged by the U.S. and out of compliance again; therefore, we have not gone that route.

The final point I wish to make has to do with the date. We have agreed to implement changes to comply by August 1, 2005. We've been asked what happens if we're not in compliance by that date. Certainly we would try our best to persuade the U.S. that we had made a reasonable effort to be in compliance and they should give us more time. We hope they would agree with that position.

•(1545)

However, if they were not, because we wouldn't have introduced any measures at all, they would be in a position to put tariffs on, in our estimation, by early October. There would be no need for a compliance panel because we hadn't put any measures in place. So they would be in a position, if they were to choose to, to put in tariffs as early as October. That's the reason we are hopeful the bill could be passed before the August 1 deadline.

Just in terms of very brief conclusions, the changes to the Canada Grain Act in our view will not affect imports and they will maintain our quality assurance system. The Grain Commission will have all the information they had before, in essence, to maintain the quality assurance system.

In terms of the Canada Transportation Act, there is the possibility that will lead to increased imports. However, we think it will be a private sector decision, it will be a commercial decision, as to the level, and that's not different from what we have in terms of access to the U.S. system.

With respect to the deadline, if we don't meet the deadline, there is the possibility that as early as October 1 there could be duties on our grain going into the U.S. if we aren't successful in making these amendments.

I'm going to stop there, Mr. Chair, and the three of us can answer the committee's questions.

**The Chair:** Have you any other comments, Mr. Gosselin, Mr. Dobson?

Okay, that's done.

We'll start with Mr. Ritz. Let's stay with five minutes and see how that goes.

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

Gentlemen, thank you.

There's actually a lot more to this little bill than meets the eye. There's a lot more potential impact than you would think.

Mr. Migie, you made the statement that we have access to the U.S. market. I think the big difference between that analogy and what's going to happen under this is that we're using our cars, and they'll use our cars too, coming up through Canada. The concern I have with that is we're already facing shortages of car allocation, year round as well as at peak times.

How do we address that?

•(1550)

**Mr. Howard Migie:** I'll start with one brief comment, and then John Dobson can add to that.

In terms of the U.S. system, we use their transport and handling system.

In terms of the access to cars, it's really not the Canada Grain Act provision; it's the change in the revenue cap. If there is grain imported, then they might use cars.

John, do you want to...?

**Mr. John Dobson (Senior Policy Coordinator, Grain Monitoring, Surface Transportation Policy, Transport Canada):** We raised this issue of the potential to divert U.S. grain through the Canadian system with Quorum Corporation. Quorum is the independent grain monitor that was engaged by the government after the May 2000 grain—

**Mr. Gerry Ritz:** Based in Edmonton, if I remember correctly.

**Mr. John Dobson:** That's correct.

I asked him for his opinion on this issue, and he looked at rail freight rates from grain delivery points in the northern States as well as alternative delivery points on the Canadian side of the border, and as Howard indicated, there is a differential in fact. But when you take into consideration the extra handling charges in Canada plus the costs of trucking, it was his opinion that there probably wouldn't be much grain that would be diverted.

**Mr. Gerry Ritz:** But we don't know.

**Mr. John Dobson:** They don't know for sure. It was also raised with the grain companies, and the grain companies shared that opinion.

**Mr. Gerry Ritz:** All right. Good.

It's going to take a form now to import and work with and so on. The problem we've always seen is we get these things in place and the forms aren't available. The concern I have is the timeframe for the turnaround on those forms, for approval or rejection or whatever. We're setting up another level of bureaucracy here that we're going to have to work with.

Has that been ironed out, and is it ready to go August 1?

**Mr. Reg Gosselin (Director, Corporate Services, Canadian Grain Commission):** Well, we're working on it right now.

The requirements we have are fairly well established; they've been there for a long time. Really what we're talking about is modifying those forms to encompass the extra information. We talked to the elevator association and so on, and they have not raised any concerns about the extra reporting burden.

**Mr. Gerry Ritz:** You mustn't have got that memo. I did.

**Mr. Reg Gosselin:** Well, they have expressed concerns about the potential for comingling of U.S. grain with Canadian. But we don't think the changes we've made or are going to be making are going to cause more grain to come into Canada as a result.

**Mr. Gerry Ritz:** But you're also talking about blending. You can no longer stop that. As long as you've filled in the forms, it's going to happen.

**Mr. Reg Gosselin:** Yes, that's right.

**Mr. Gerry Ritz:** Okay.

Who's going to be in charge of doing all of that testing? I mean, we've already seen the Grain Commission withdrawing services, elevator by elevator, across the prairies. This is going to take more testing—before, during, and after all this blending goes on. Who's going to do it?

**Mr. Reg Gosselin:** Well, right now the Grain Commission is testing all export cargoes of wheat out of country, and that's going to continue after these provisions are put in place. So we intend to keep doing that.

**Mr. Gerry Ritz:** Our grading standards don't necessarily mirror the American standards. They use a lot of visual; we don't. We use different standards. Are we going to see some paralleling or overlapping of that to make it easier?

**Mr. Reg Gosselin:** No. There is no intention to change any of the registered varieties as a result of this. For example, if we're getting more grain from the U.S., generally speaking, those varieties are not registered varieties in Canada, and we can distinguish them as being registered if it were to happen. We don't expect it will, but...

**Mr. Gerry Ritz:** I remember a couple of years ago there was quite a hubbub about some StarLink corn, which came in through eastern Canada and ended up in the Maritimes and so on. How is this going to address that?

**Mr. Reg Gosselin:** They won't be impacted directly. The changes we're talking about here are not going to impact on that kind of situation directly, except as it relates to grain entering the licensed elevator system.

We are working at the departmental level and will be working with other departments to make sure we have a system in place to capture the information about grain that's coming into Canada—a better system in the future.

At the moment, we are relatively confident that that commodity is not being comingled in Canadian shipments overseas, inadvertently or otherwise, and I don't think the provisions we are going to be talking about now are going to increase the risk of that happening in the future.

**The Chair:** Madame Rivard.

•(1555)

[Translation]

**Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ):** Thank you, Mr. Chairman.

Sirs, invariably, the United States purchases approximately one million tonnes of Canadian hard red spring wheat per year and between three and four hundred tonnes of hard wheat. Wheat exports to the US generate \$400 million in revenues, or account for approximately 10 per cent of CWB sales.

Since Bill C-40 will extend preferential treatment to US grain, can we expect the same treatment for Canadian grain exports to the US?

**Mr. Howard Migie:** No. The US system will not be changed. We simply want to be certain that we meet our obligations. The changes that we are making at this time will not, in our opinion, change anything in so far as imports of US grain are concerned.

There will be a change of some kind, but according to the Canadian Grain Commission, it will not result in increased imports of grain from the US. For instance, the Americans are under no obligation to modify their tariffs.

**Ms. Denise Poirier-Rivard:** Sirs, do you agree with that?

**Mr. Reg Gosselin:** Yes, I do. The changes that we are proposing are rather modest. They do not alter the status quo. I agree with Mr. Migie: the changes that we are proposing today with respect to the Canadian Grain Commission and the Canada Grain Act will not change the volume of US grain imported into Canada.

**Ms. Denise Poirier-Rivard:** This brings me to my second question. What is the likelihood that subsidized US wheat imports will increasingly be blended with Canadian wheat and in the process displace traditional markets for Canadian wheat?

**Mr. Reg Gosselin:** My sense is that if more US wheat is handled here, the risk of it being blended with Canadian wheat increases as well. That's to be expected.

However, the Canadian system has been handling US grain for quite some time already. To my knowledge, there are mechanisms in place in the Canadian system to guard against inappropriate blending. I also believe the CGC has mechanisms in place to ensure a steady supply of Canadian grain to markets that order Canadian grain.

**Ms. Denise Poirier-Rivard:** You mentioned mechanisms. Could you elaborate further on that?

**Mr. Reg Gosselin:** For example, in the case of exports of wheat stored in transfer and terminal elevators - the kind of elevator found at the large Canadian ports — we check for the presence of unregistered varieties in each shipment exported. We conduct these types of checks today and will continue to do so in the future.

**Ms. Denise Poirier-Rivard:** Is wheat destined for animal feed and wheat for human consumption ever blended? Or is that something totally different?

**Mr. Reg Gosselin:** Generally speaking, each grain handler approaches the market differently. In some cases, the wheat is blended, while in other cases, it is not. To be honest, our main concern is export markets because most of our resources are geared to export markets and not to domestic markets.

**Ms. Denise Poirier-Rivard:** I understand.

[English]

**The Chair:** We will now move to Mr. Easter, for five minutes.

**Hon. Wayne Easter (Malpeque, Lib.):** Thanks, Mr. Chairman.

Welcome, gentlemen. I think the question has been basically asked by Mr. Ritz, but I do know there's considerable concern from producers, and certainly from one of the railways, that this might have an impact on our railcar capacity. The fact of the matter is that in the last number of years, due to both supply and markets, the grain handling system hasn't been fully tested.

I guess my question is much the same. Can you give us some assurance in that regard, that the decision on the cap won't negatively impact our railcar capacity in this country to get the grain from Canadian producers out of the country?

• (1600)

**Mr. John Dobson:** As I indicated earlier, there was some economic analysis done by Quorum Corporation, the grain monitor, on our behalf. Although the Canadian revenue cap freight rates are lower than the U.S. freight rates for facilities just across the border, because of the additional costs of handling in Canada, plus the cost of trucking the grain across the border, the expectation is that there probably wouldn't be much of an impact.

To the extent that there is, during peak movement periods the railways and the grain companies are free to use commercial practices to manage any capacity constraints. For example, the Canadian grain companies could discourage the flow of U.S. grain across the border by just lowering the prices they offer for that U.S. grain.

**Mr. Howard Migie:** Could I add just one comment? If it turns out that there is U.S. grain coming in, and it's predictable, that is, that it becomes just part of your normal planning, I think our system over the years has shown that we can adapt to different volumes if we know they're coming. That is, if we know there are going to be a half a million tonnes from that source, it can be part of the planning, and the car supply will be there in terms of railways ensuring that there's sufficient car supply. It's when it comes in unexpectedly that our system sometimes has run into trouble.

**Hon. Wayne Easter:** The other concern raised by producers was that we need to be absolutely assured that the integrity of the Canadian grain quality system isn't compromised. We had given industry, I think to a great extent, the indication that we would move quickly on a border notification system.

That was not in your remarks, nor has it been stated, so I would like to hear, for the record, your comments relative to a border notification system. Hopefully, we can expect to see it forthwith.

**Mr. Reg Gosselin:** We have already started talking to departmental officials in Ottawa here and have also discussed with other departments the preliminary elements of such a system. We want to make sure it's a system that is efficient, and we also want to make sure it's a system that does not invite retaliation from the U.S. side again. We have started that work, and we want to make sure we engage in discussions that will lead to an efficient system that will work. I think we're already on the way.

**Hon. Wayne Easter:** My concern around this town, Reg, in all honesty, is that we're not too efficient at getting things in place rapidly. That's what I want to be assured of, that within a twelve-month period or thereabouts, all the agencies involved with the borders get their acts together and get decisions made and get this done. That's the kind of assurance I think we need to give the industry, that it will be done. I just state that for the record.

I have no further questions, Mr. Chair.

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

**Mr. James Bezan (Selkirk—Interlake, CPC):** Thank you, Mr. Chair.

I would like to follow up on what Wayne was talking about—the possibility of having increased grain coming in from the States—because right now there is a comparative advantage or competitive advantage to moving product through the Canadian system and into export position. How's that going to affect the revenue caps we have in place right now and the ultimate impact that's going to have on Canadian producers?

**Mr. John Dobson:** The revenue cap is basically flexible, and it reflects the railways' workloads. For instance, if volume goes up, the revenue cap is automatically adjusted, or if the average length of haul goes up or down, it's automatically adjusted. So if there's additional U.S. grain that comes into the system, the railways' revenue cap would go up to take that into consideration, and it shouldn't have an impact on the freight rates that are charged for the existing revenue cap traffic.

**Mr. James Bezan:** So the growers should not see any increase in freight rates, and there isn't going to be a dilution factor here as we get more export—

•(1605)

**Mr. John Dobson:** No. It's not as if the revenue cap is a fixed amount that gets diluted if there's more traffic. It is flexible and it adjusts for volumes.

**Mr. James Bezan:** Okay. Now what about the possibility that this bill dies on the order paper? You're saying that by October 2005 we could be facing retaliation from our American friends? So what, if anything, can we do in the House through orders in council that might be able to mitigate this in the event the bill dies?

**Mr. Howard Migje:** The first choice obviously is to pass the bill. If the bill doesn't get passed by the August 1 deadline, we would certainly be approaching the U.S. to seek their concurrence on another date. And we would expect them to agree to that because there are reasonable grounds—we have tried. We've shown that we have put the measures before Parliament and for one reason or another it couldn't make it.

If it turned out that we couldn't, the Canada Grain Act provisions do require amendments to legislation to be in conformity with the provisions. We couldn't change the revenue cap eligibility without amending the act, and the two Canada Grain Act provisions really don't affect imports. They are, if you will, a violation of national treatment, but we don't think there's any real consequence to those two provisions. I think we would just be out of compliance. I don't see what we could do without amending the legislation.

We would certainly seek to be reasonable in the circumstance, and we would try our best to get another date or get a delay. We just can't guarantee the U.S. would agree to that, and they would be within their rights within a couple of months' period to put a duty on. That's why we would hope it could be dealt with before Parliament breaks.

**The Chair:** You have one more minute.

**Mr. James Bezan:** I know this act looks fairly simplistic—we're only really talking about changing the definition and removing a couple of provisions—but there are things within this act that I'm sure we're going to hear about from some industry reps, things they'd like to see brought into this amendment bill as well.

I'm just wondering if there's flexibility or the desire to... I know we want to expedite things as quickly as possible here, but this is a chance to maybe look at some of the other archaic issues that surround the act.

**Mr. Howard Migje:** In the case of the Canada Grain Act, we did have this issue in front of government. There are a lot of issues right now around the Canada Grain Act, a lot in industry in particular. But also within government there's a desire to change a number of provisions.

We felt that because we were responding to a WTO decision with a timeline, if we brought in other provisions we really couldn't stop it from being a whole-scale review of the act. That would mean we probably couldn't meet the deadline for being in compliance. So for that reason we chose to put in the bill only the measures that were required by the WTO decision, and nothing more and nothing less, I guess.

**The Chair:** Thank you, Mr. Bezan.

We'll move to Mrs. Ur.

**Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.):** I thank you for your presentation. I forget who made the statement that you have mechanisms in place that will assure everyone that the identification process will be adhered to. Mr. Gosselin, could you explain to me what those mechanisms are?

**Mr. Reg Gosselin:** Let me give you an example. Whenever a wheat cargo is shipped from a terminal elevator, for example, on the Pacific coast, our people are there to draw samples of that cargo. Each of the samples is then assessed by our research laboratory to verify the presence of non-registered varieties of wheat, for example. So we have a pretty good handle on whether or not there are non-registered varieties of grain present in those cargoes.

If there are, we can assess a different grade as a result of that test result. So there is a financial incentive on the part of the operators of those elevators to ensure that there are no non-registered varieties present beyond established tolerances.

I should add that the U.S. system doesn't have the same system of varietal registration as we do. So, generally speaking, U.S. varieties—not all, but most U.S. varieties—do not satisfy the requirements of a varietal system. So if we get higher quantities of U.S. grain, we usually pick it up in testing.

• (1610)

**Mrs. Rose-Marie Ur:** You'll have the authority to do something about it if it doesn't meet our—

**Mr. Reg Gosselin:** Yes, we do. Normally what happens is that if varieties of non-registered wheat are present beyond the established tolerances, that commodity is graded to the lowest numerical grade for that particular class of wheat. So the financial loss is very significant for the elevator operator if they don't take precautions to ensure that the grain isn't comingled.

**Mrs. Rose-Marie Ur:** I really want to be assured that our integrity is not compromised with this legislation. I have to say, I haven't read it from front to back. I haven't had the time.

As always, we Canadians step up to the forefront and are always open, upfront, and accountable, but sometimes at the cost of our producers. So I hope this legislation will be an asset, not a detriment, to our farming community.

**Mr. Reg Gosselin:** I can assure you that one of the objectives we had was to make sure we maintain a level playing field relative to what exists at present. So we were careful to ensure that we satisfied the WTO decision, but we also made sure we didn't compromise the quality assurance system.

**Mrs. Rose-Marie Ur:** We are quick to always satisfy the WTO, and I'm not saying we shouldn't, but sometimes I think we should kind of stop and let everyone else catch up too.

On car supply—and we've heard this before when we had witnesses—you said that as long as you know the product is coming, that will be addressed favourably. We've seen major problems out in B.C. I just wonder how you can see this is going to make things operate in a better fashion.

**Mr. Howard Migie:** We've had some years where we've had a lot more grain than we've had in the last few years, and we've managed to handle it not too badly. I guess the point I was trying to make is that if we can plan for a higher volume, our system can handle that and can adapt to it. We can adjust, just like in Vancouver.

At various times there was a capacity crunch at Vancouver, but in the last few years we've had more space there, and then another year it becomes the number of trains that may be able to go through to the west coast, let's say, by CP. Then you have investments that companies make and adjust to it.

But I was just making the comment that, looking backwards, I think we have had years where, if we know the volume is there, we plan for it and we can handle it. It's the unexpected increases that have sometimes caused us problems.

John, what do you think?

**Mr. John Dobson:** In a more general sense—this isn't a grain-specific comment—the railways have been working with the ports and other stakeholders to try to address the situation in Vancouver. I think they've caught up to a certain extent. Maybe that's something

you can ask of CP, what they've done, but that's just, generally speaking, trying to catch up, because it's not just grain. A lot of other commodities and traffic have been a problem because of the Asian markets.

**The Chair:** Mr. Gaudet, for five minutes.

[*Translation*]

**Mr. Roger Gaudet (Montcalm, BQ):** Thank you, Mr. Chairman.

My question is straightforward: is the volume of wheat imported greater than the volume of wheat exported?

My question is directed to Mr. Gosselin.

**Mr. Reg Gosselin:** In fact, the volume of Canadian wheat exports is substantially higher than that of wheat imports, whether from the United States or from abroad.

**Mr. Roger Gaudet:** Do you do business only with the Americans? Do you also market your product to Europe, Russia and Asia?

**Mr. Reg Gosselin:** Canadian grain is exported to a number of countries. We inspect all grain shipments from transfer and terminal elevators. We verify the quality of the grain exported when the shipment originates from a registered transfer elevator.

**Mr. Roger Gaudet:** That brings me to my next question. Is the US the only nation to have filed a complaint with the WTO?

**Mr. Reg Gosselin:** In this particular instance, the Americans were the ones who lodged a complaint.

**Mr. Roger Gaudet:** Is the complaint reviewed in every country to which we export our product? Suppose Europe adopts the same requirements as the US.

• (1615)

**Mr. Reg Gosselin:** I cannot speak for other parties.

**Mr. Roger Gaudet:** They will speak out after you.

**Mr. Reg Gosselin:** The mechanisms that the CGC is recommending to you will apply to all imports.

**Mr. Roger Gaudet:** To all imports?

**Mr. Reg Gosselin:** Yes. For example, if we import a commodity from the Ukraine — like grain, for instance — that commodity will be subject to the same requirements as the ones imposed on US grain.

**Mr. Howard Migie:** I think the Americans lodged a complaint primarily because of the very existence of the Canadian Grain Commission. That was their target. Exports are of minor importance to the Americans. Their target was the CGC and we won on that front. However, on the question of national treatment and the three provisions in question here, we lost our case and we must make some changes.

**Mr. Roger Gaudet:** If an election is called and everything is left up in the air, what happens to Bill C-40? You stated earlier that we had until August 1, 2005 to act.



**Mr. Howard Migie:** As I said earlier, it's possible that the Americans will impose tariff provisions on Canadian grain. We'll try to prevent that from happening by arguing that we need more time to make real changes. We hope to get more time, but I can't guarantee that we will. If we're unsuccessful, it's possible that as early in October, the US will slap a duty on Canadian grain.

**Mr. Roger Gaudet:** Thank you.

[English]

**The Chair:** Thank you, Mr. Gaudet.

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

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

Because of the time we have left, I'm going to be splitting it with Mr. Anderson.

**The Chair:** That's fine. We have about 10 minutes left.

**Mr. Larry Miller:** Anybody can answer this. For years you wouldn't allow unregistered seed to be grown out there because you didn't want it mixed—this kind of thing—and all of a sudden we want basically a total reversal of the rules; you want to allow mixing of domestic and foreign grains. It seems to me kind of odd. Why has there been the total reversal or change of heart on that?

I don't know who wants to comment—Mr. Gosselin?

**Mr. Reg Gosselin:** I'm not sure if there's a change of heart. We are required to adhere to the obligations of the decision. As far as we're concerned, we would expect that people wanting to commingle foreign and Canadian would tell us before they require an inspection certificate.

I think we have adequate measures in place to ensure that when commingling does happen, people will tell us it's happening, and we'll have measures in place to ensure people are reporting correctly to us.

**Mr. Larry Miller:** It's one thing to have it reported, but I guess I'm not totally comfortable that the integrity of the system is going to be kept in place. Do you really feel that it will be?

**Mr. Reg Gosselin:** I personally think the handlers are responsible operators. They have a vested interest in making sure commingling doesn't happen, inadvertently or otherwise, unless customers are prepared to accept the commingled commodity, so I'm confident that by working together with the operators and by having our test measures in place, we can ensure there will not be unfortunate commingling of commodity and that customers buying Canadian grains will be getting Canadian grains.

**The Chair:** Mr. Anderson.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** I'd like to pursue that a bit. Western Canadian farmers have been kept for years from growing unregistered varieties of grains and many different varieties of grains because we were told we couldn't keep them segregated. Actually, the GMO issue hinged on that as well. Now you're telling us you're going to be able to segregate the wheat in the system in western Canada to an extent we've never seen before, without changing anything. Can you tell me how that's going to be done?

**Mr. Reg Gosselin:** As I indicated before, we continue to test for the presence of unregistered varieties in shipments outside Canada, and we'll continue to do that. Farmers can deliver unregistered varieties in western Canada if they choose, as long as they declare it to be an unregistered variety before the wheat enters into the system.

We and the elevator operators have measures in place to ensure that comingling doesn't happen. The financial imperatives for the handling companies are very significant to ensure that comingling doesn't happen, so I think the combination of the financial interest of elevator operators and the testing we do to make sure comingling doesn't happen are adequate to ensure we don't have adulteration of wheat shipments in particular from Canada.

● (1620)

**Mr. David Anderson:** I wish we'd had that confidence a few years ago. We'd have had far more opportunities if we'd had that.

I want to talk to you a little bit about grain movement. Mr. Migie said we can move a full crop or we can move extra grain as long as we know it's coming in. One of the grain companies actually told me they're very concerned we're not going to be able to move a regular crop this fall because of the carryover of the poor crop last fall and having to mix the two crops from last fall and this fall.

If the grain companies are already concerned we're not going to be able to move the crops that are going to be coming in, how are we going to be moving American grain as well?

**Mr. Howard Migie:** What I was trying to say was that if we know ahead of time there's going to be a half-million tonnes roughly or a million tonnes, whatever the number is, we can plan for that, but when you're down to a year and questioned, you're always going to raise the issue of whether we have enough capacity now because it's probably too late to go and arrange for more cars once the year is approaching.

The system works; it's a commercial one. The freight rates and the elevator charges will adjust, and this U.S. grain will not be brought in if someone is not prepared to pay the cost for the space.

**Mr. David Anderson:** How are you planning on going ahead then? What process are you putting in place so you will know ahead of time whether you have half a million tonnes coming into the country or not?

**Mr. Howard Migie:** It'll simply be by seeing what the commercial system results in. As government, we no longer have a grain transportation agency; we no longer have government directly involved. It's going to be a commercial decision.

**Mr. David Anderson:** You know as well as I do that you can't tell ahead of time if that wheat is coming. If it's operating commercially, we may be flooded and we may not; you can't tell ahead of time. You can't say we can make the adjustments, because we can't know what wheat is going to be coming in.

**Mr. John Dobson:** The railways do work with the grain industry, with the Wheat Board and the grain companies, to try to establish or predict how much grain is actually going to be moved. They do as good a job as they can, and of course there are going to be errors from time to time, but it's done on a commercial basis. The railways work with their customers, and they try to plan accordingly and have enough equipment and power and crews to move the product.

**Mr. David Anderson:** Well, that's just an ongoing source of frustration in the west. The whole system does not work well, and we might as well admit that.

I have a third question. We have a panic on now where we have to get this thing passed right away and we have to get it out of here. It's been going on since December 2003. I'm just wondering why it's taken since last November—that was the latest date, I guess, we made a decision this had to be dealt with—to get this legislation here. We're dealing with it at the last minute. We're supposed to rush it through, apparently. I'm just wondering, what's taken so long? You were aware of the possibilities as to what was going to happen. Why are we still waiting? Is it because of you or because of what we see going on in the government?

**Mr. Howard Migie:** You say we were aware of the situation. The bill could have been brought forward, but it would have been without the consultation we would have liked to have. Just before the Christmas break would have been the earliest we could have brought it forward, but it was decided we should go and consult with railways, grain companies, and others—farm groups—which was done in January. We brought it back just after the break as early as we could, and it's now being considered.

**Mr. David Anderson:** You had a couple of years when you knew there was likely going to be an issue here, and nothing was done about it until the last minute. I resent the fact that we're supposed to push this through in a hurry. We can't do a proper review of the act, which we should be doing, because now we're just dealing with three little clauses in it.

**Mr. Howard Migie:** I did try to raise earlier the fact that the provisions the WTO is addressing are simply the two in the Canada Grain Act and the one in the Canada Transportation Act. It would be a major exercise for us to address other provisions, and we couldn't meet any type of reasonable deadline. It would be comparable to CFIA or a big act. There are so many things you're talking about that you'd have to deal with, and there was no way we could meet any reasonable deadline.

• (1625)

**The Chair:** Mr. Ritz has the final question.

**Mr. Gerry Ritz:** I just have a quick question. Have you guys run any numbers on the cost of this?

**Mr. Reg Gosselin:** Well, from our standpoint, the costs are relatively modest. As I indicated, we are going to be changing a few forms, and we're going to be modifying some of our computer systems. Once we have those changes in place, the costs remain the same.

I can't speak about the elevator operators. I mean, we have made an honest effort to try to minimize the costs to them.

**Mr. Gerry Ritz:** Any ballpark?

**Mr. Reg Gosselin:** I can't. You would have to ask the other witnesses who are going to be appearing before you.

**The Chair:** We've concluded our time and exhausted the questions.

Thank you, gentlemen, Mr. Gosselin, Mr. Migie, and Mr. Dobson, for appearing from your departments today.

Now we will have other people taking your places at the table, and we will inform you as to what the bells are all about.

We'll have our new witnesses come to the table.

I'm not sure how long we can keep you there. We can maybe hear some of your testimony, and then we may have to go and vote.

• (1625)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1630)

**The Chair:** This is a 30-minute bell. We will adjourn in 15 minutes to give us all time to get over there.

I think there are still a few names missing, but I have on my agenda, from the Western Grain Elevator Association, Richard Wansbutter, vice-president of commercial relations with the Saskatchewan Wheat Pool, and Cam Dahl, government relations and policy development officer with Agricore United; from the Grain Growers of Canada, we have Bruce Wilson, executive director, and Rick White, policy analyst with the Canola Growers Association; and from the Inland Terminal Association of Canada, we have Garry Petrie, chairman, and Trent Weber, director.

In order to get on with this—and we'll have about 12 or 15 minutes—can we begin?

Mr. Dahl.

**Mr. Cam Dahl (Government Relations and Policy Development Officer, Agricore United; Western Grain Elevator Association):** Thank you, Mr. Chairman. To begin, I will say it's a real pleasure to be in front of the committee again.

I will cut the presentation down a bit. You have seen the document and know who the Western Grain Elevator Association is.

We want to begin by saying that the Western Grain Elevator Association supports the passage of Bill C-40 as quickly as possible; otherwise, as we have heard, the United States would be in a position to begin retaliation early this fall. U.S. retaliation would not be in the interest of the Canadian agriculture value chain, and we hope the Government of Canada will take the necessary steps to comply with the World Trade Organization ruling.

We do understand that an amendment has been proposed to Bill C-40 that would see a review of the Canada Grain Act being conducted within a year of the bill coming into force. This review would be tabled in the House of Commons.

We would like to lend strong Western Grain Elevator Association support for this amendment. There are a number of reasons for this. First, a review would allow Parliament to gain assurances that the passage of Bill C-40 does not negatively restrict the capacity of Canada's grain handling and transportation system. This should ease concerns of this nature and allow the bill to rapidly pass through Parliament.

Second, a comprehensive review of the Canada Grain Act would allow the industry to come forward with proposals for badly needed changes to the act and the Canadian Grain Commission. Unlike past reviews, which simply gathered dust, placing a review before Parliament would ensure that the proposed changes are acted upon.

On February 24, in testimony before this committee, the WGEA expressed concerns about the inflexibility of the Canada Grain Act. We will not review these concerns at this time but would refer you to the brief provided on February 24. We will restate our position that problems with the current structure of the commission and the act are negatively impacting the competitiveness of Canada's grain industry.

We do understand that concerns have been raised regarding the capacity of Canada's system to handle an influx of U.S. grain if Bill C-40 is passed. The WGEA does not believe that Bill C-40 will result in any significant movement of U.S. grain into the prairies and then to export position to take advantage of Canadian freight rates. Quite simply, the trucking costs involved in moving grain from the U.S. into Canada, along with additional primary and export charges that would be incurred—and that would primarily be additional segregation costs—would negate any significant volume being moved in this manner. Mr. Chairman, we'd be happy to provide some numerical examples of this if the committee is interested.

We also note that shipments in transit through Canada are not deemed to be imported and therefore would not be eligible for rates under the revenue cap.

Mr. Chairman, I think we'll cut it short in light of the shortened time. We look forward to any questions you might have.

**The Chair:** Is there someone else who wants to...? Is that the only presentation?

**A voice:** That's it.

**The Chair:** Okay. Then we'll move quickly to our first questioner, Mr. Ritz.

**Mr. Gerry Ritz:** Thanks, gentlemen. The government's propaganda says that stakeholders were broadly supportive of the government's proposed approach. Is that factual? There was enough consultation? This is coming at us fairly quickly. Are you okay with the consultations that went on?

**Mr. Cam Dahl:** I think we need to comply with the WTO in this case.

**Mr. Gerry Ritz:** That's sort of a blackmail standby.

**Mr. Cam Dahl:** Well, it's important that we do comply, and the consequences of not complying could be significant. Absolutely, it is in our best interest to comply with this ruling.

**Mr. Richard Wansbutter (Vice-President, Commercial Relations, Saskatchewan Wheat Pool; Western Grain Elevator Association):** In fairness, I was contacted by departmental officials.

They queried our company, me specifically, on the changes, and we were able to respond to their requests.

**Mr. Cam Dahl:** We were part of it. Representatives from Agricore United also participated.

**Mr. Gerry Ritz:** Garry, with the Inland Terminal Association, are you okay?

**Mr. Garry Petrie (Chairman, Inland Terminal Association of Canada):** I'll let Trent speak to that because he's our transportation guy.

**Mr. Trent Weber (Director, Inland Terminal Association of Canada):** Yes, we agree with the WGEA position as well. We were contacted and we support the legislation as well.

**Mr. Gerry Ritz:** Good. As long as we get an independent review within a year, that is really the only amendment you folks are seeking. Once we have that in place, if we can attach that amendment to the bill, then it should go through expeditiously and we'll get our deadline in place. I know there was some concern earlier about whether the government would have the forms available so that the elevators and terminals can do what they need to do in an expeditious way.

**Mr. Richard Wansbutter:** That is well under way. We've already had, as an association, three, if not four, meetings with the Canadian Grain Commission. The changes that are required have been outlined. I know this is always very dangerous. It's now being turned over to the IT people, but as far as getting what is required in place, that's been well communicated.

**Mr. Gerry Ritz:** Good. Thanks, Richard.

Janet, Cam said in his presentation that he has empirical evidence there will be no great amount of American movement coming north and using our cars and rail system. I understand you are in the process of doing a major expansion across western Canada. Is that just basically to handle what's out there now, or are you anticipating a little more movement than maybe Cam is?

**Ms. Janet Weiss (General Manager, Grain, Bulk Commodities and Government Affairs, Canadian Pacific Railway):** We do have a major expansion under way. We're spending about \$160 million, which will add about 12% capacity.

**Mr. Gerry Ritz:** That's a free ad.

● (1635)

**Ms. Janet Weiss:** Thank you. That being said, that is just to handle volumes that are out there today. There is no room for anything else.

**Mr. Gerry Ritz:** We have a brand new player that is going to be operating with you folks at the table here to handle any of this different capacity and so on: the Farmer Rail Car Coalition. As they are brand new on the block and trying to make that system work, are they going to be up to their ears in it when they have something like this coming down the pike at them?

**Ms. Janet Weiss:** The FRC adds complexity, but the problem we're facing here goes well beyond railcars and such.

**Mr. Gerry Ritz:** Good. That's it.

Thank you, Mr. Chair.

**The Chair:** Madame Poirier-Rivard.

[Translation]

**Ms. Denise Poirier-Rivard:** Thank you, Mr. Chairman.

You state the following in the last paragraph on page 1 of your presentation, and I quote:

We will restate our position that the problems with the current structure of the Canadian Grain Commission are negatively impacting the competitiveness of Canada's grains and oilseed industry.

Can you tell us exactly what you mean by this statement?

[English]

**Mr. Cam Dahl:** On November 24, the Western Grain Elevator Association was before this committee to present a number of concerns with the Canada Grain Act and with the need to perform a comprehensive review and a comprehensive overhaul of the Canada Grain Act and the functioning of the Canadian Grain Commission. Instead of going into great detail on that, the easiest would be to refer to that presentation, but we do have some concerns, for example, around governance, accountability, the appeal process.

Maybe Richard could add to that.

**Mr. Richard Wansbutter:** There were a few other items that we detailed. One was a need to review our primary export standards—these are very technical items—the ability to allow for third-party inspection so we can introduce some competition in our system on grading, so we can lower our cost to producers.... Those are some of the elements we were talking about and why we feel it's necessary to have a thorough review of the Canada Grain Act.

**The Chair:** We should hear from the government.

Have you a question, Mr. Easter, because we may not be able to come back? We're going over to vote. We have another bell at—

**Hon. Wayne Easter:** There's general agreement on the need for the act, and my question is to CP Rail. Do you envisage any impact on the car capacity, on the ability to move grain? If you do, what can be done to rectify the situation?

**Ms. Janet Weiss:** The economics would suggest that grain could be pulled as far as 150 miles south of the border, given the differential between rail freight rates. It doesn't speak to the other parts of the system in respect of grain handling charges and how they might differ. From our perspective, Canadian Pacific Railway, particularly westbound, is at capacity. We are severely limited in our ability to handle incremental volume beyond today's base business.

With respect to long-term solutions, we could continue to reinvest, but reinvestment takes time and real money. It's not something that can be handled in one year, two years, or even three. In the shorter term, there are commercial remedies. With respect to grain in the Canadian system, we don't see an ability to price U.S. grain differently from Canadian. Our only option would be to increase all freight rates right at the border point as a mechanism of slowing all

grain. That, of course, would disadvantage farmers in the southern territory. They would be forced to draw their grain there.

**Mr. Richard Wansbutter:** There has been some concern about the volume of U.S. grain moving. When you look at the numbers, there is a significant disparity between the U.S. and the Canadian freight rates. Let me give you an example.

Our Vulcan, Alberta, plant is in southern Alberta. Due south of Vulcan is Shelby, Montana. You're looking at a differential of almost \$17.50 a tonne. Everything I'm expressing is in Canadian dollars and metric tonnes. I don't disagree that this is significant. We don't believe there will be an influx of Canadian grain. The trucking distance would account for \$16 to \$20 a tonne alone, in that 150-mile range. In Saskatchewan and Alberta, we can run with 42-tonne or 44-tonne loads. In a good portion of the U.S. system, a lot of the truck loads are about 22 tonnes to 24 tonnes. It's a much higher freight rate in Canadian dollars.

Further to the influx of Canadian grain, a number of questions were asked about the integrity of the system. I can't emphasize too strongly that as grain handlers it is in all of our interests to keep grain separate and not commingle it. The financial penalty to us for misgrading—whether it's the Inland Terminal Association or others—is huge. The difference in price between a number 1 red wheat and a feed wheat could be anywhere from \$80 to \$120 a tonne. We as companies would be liable for that. To ensure that we maintain that integrity, we would have to institute significant charges for separate handling systems. This would mean identity preservation of U.S. grain, to ensure it doesn't commingle. That doesn't come cheap. You're looking at \$3 to \$4 at the primary end and probably \$6 to \$7 at the terminal end. So when I add in the trucking and IP costs, it changes the economics and doesn't allow much grain to move in.

However, I looked at these ranges at 80¢ to 70¢ per \$1. If we ever go back to those days of 60¢ or 50¢, that would change the economics. But in today's circumstances, I don't see the economics there.

● (1640)

**The Chair:** I apologize, but the House is calling us.

Members, the votes are at 5:45 p.m. Do you want to come back after this vote?

Those who haven't asked questions could come back. This is in fairness to our witnesses. So I'll expect you back here after the vote.

**Hon. Wayne Easter:** As soon as the vote is over.

**The Chair:** The meeting is adjourned.

● (1640)

(Pause)

● (1725)

**Mr. Rick White (Policy Analyst, Canadian Canola Growers Association, Grain Growers of Canada):** Thank you very much. I'm with the Grain Growers of Canada.

How much time do we have, Mr. Chairman?

**The Chair:** We have to vote in 15 minutes, so you're going to hear bells in about two minutes.

**Mr. Rick White:** I'd like to thank you for allowing the Grain Growers of Canada this opportunity to comment on Bill C-40. The GGC is a national organization comprised of major grain and oilseed commodity groups from across the country. We represent approximately 90,000 growers and we are devoted to representing their interests in national policy development.

Bill C-40 would amend the Canada Grain Act and the Canada Transportation Act to implement a decision of the DSB of the World Trade Organization relating to the handling and transportation of foreign grain and grain products in Canada. It is critical that Canada comply with the DSB ruling as quickly as possible. We must ensure there will be no follow-up challenges from the U.S. over compliance. Canadian growers would not benefit from long, drawn-out appeals. We in fact depend heavily on export markets such as the U.S., and we cannot afford any retaliatory measures that could be targeted at our growers.

We believe Bill C-40, in its current form, will adequately address the DSB ruling and will allow Canada to fulfill its current obligations under the WTO. Complying with the DSB ruling is imperative; however, it is not totally without risk to Canadian growers and oilseed producers, as these amendments will make it somewhat easier for foreign grain to enter the Canadian system. Therefore, Bill C-40 should be implemented with due diligence, and serious consideration should be given to the competitive impact it will have on Canadian growers.

The GGC has three suggestions that we ask you to consider to ensure Canadian growers can be as competitive as possible after we comply with the DSB ruling. First, we ask you to amend Bill C-40 to include a clause that would call for a statutory review of the Canada Grain Act. This review should be conducted by an independent panel of stakeholders, who would examine the function and effectiveness of the act and compile their findings and recommendations in a report to be tabled in the House of Commons no later than the first sitting day following January 1, 2006. We ask for this because the grain and oilseed industry continues to evolve, and we must ensure that current legislation does not fall behind and become a regulatory obstacle and an unnecessary cost to producers as we strive for a more efficient, competitive, and commercial grain industry.

Second, we need to make more progress on the commercialization of Canada's grain handling and transportation system. The GGC does have some concerns regarding the capacity of the Canadian system to handle a major influx of foreign grain if that were to occur as a result of Bill C-40. Therefore, the GGC will continue to encourage the development of a commercially oriented, contractually driven grain handling and transportation system. This system was envisioned by the late Justice Estey and subsequently supported by Mr. Arthur Kruger. Significant progress would be made if their recommendations for reform were adopted, and hundreds of millions of dollars in savings could be delivered each year. We ask this committee to recommend to the government that further progress must be made to commercialize the system with the passage of this bill.

On our third and final item, we need aggressive trade liberalization in the current round of WTO negotiations. Ninety percent of Canadian farmers depend upon the world market for the determination of their price and marketing opportunities. It has been estimated that the European Union and U.S. subsidy regimes cost Canadian grain and oilseed farmers at least \$1.3 billion every single year. These subsidies hurt all grain and oilseed farmers due to their price-depressing effects on world prices.

The impact of interference on world markets extends beyond subsidy programs. However, given that we must comply with the DSB ruling, it becomes even more critical that the Government of Canada negotiate aggressively for trade liberalization. We must comply with the DSB ruling and give U.S. grain national treatment, but at the same time we must not forget that U.S. grains are heavily subsidized and will now have less restricted access to the Canadian system under Bill C-40.

Therefore, the GGC strongly encourages this committee to recommend that the Government of Canada aggressively pursue a WTO agreement that is consistent with the Doha Round objectives and achieve the elimination of all forms of export subsidies, significant reductions in trade-distorting domestic support, and substantial increases in market access. Those are the three areas we ask you to consider to ensure Canadian growers maintain and enhance their competitiveness once Bill C-40 is implemented. These points are all laid out in more detail in our written submission.

I would like to close now. Thank you for your time. The GGC appreciates this opportunity to provide our views as growers on these important issues. Thank you.

• (1730)

**The Chair:** Thank you very much, Mr. White.

Ms. Janet Weiss, general manager for Canadian Pacific Railway, grain, bulk commodities, and government affairs.

Janet.

**Ms. Janet Weiss:** Thank you very much.

I'm here with Marc Shannon, who is senior counsel for CPR.

**The Chair:** You have about five minutes.

**Ms. Janet Weiss:** I will be faster than that.

I have a few points Canadian Pacific Railway wanted to make. The first, as was spoken about earlier, is that we do have significant capacity challenges on our line, and we are concerned about our capability to handle growing volumes, particularly in the westbound direction.

Second—and this is good news, bad news—CP remains concerned about continuing regulation in grain transportation that creates a special and anomalous regime for grain, but today I'm not going to spend a lot of time talking about that. Rather, our concern today is that Canada not expand this regulatory benefit, the benefit of the revenue cap, to U.S. producers to any greater extent than is specifically required by the WTO decision.

Very simply, first, we are concerned that grain could move across the border and into the system close to the U.S.-Canada border. If grain starts moving across the border, either to take advantage of revenue cap or as a means of accessing additional capacity, this would consume badly needed capacity in the Canadian grain handling and transportation system. This could not happen at a worse time, given that we're already capacity constrained, especially on our corridor to the west coast.

Second, we believe, and our trade lawyers concur, that the way Bill C-40 is drafted, both imported and in-transit grain would come under the revenue cap. We think this is unnecessary and that amendments can be restricted to foreign grain that truly is being imported and is not simply being moved to position for export out of Canada. This would go a long way in reducing the impact on scarce Canadian capacity of U.S. grain entering the Canadian grain handling and transportation system and the impact on producers of having to compete with U.S. grains in export markets that have benefited from lower revenue cap rates available in Canada.

Overall, it's our view that indeed we do need to be compliant with the WTO ruling, and the myriad of trade issues we have with the United States are important; however, in this case we seem to be offering a remedy that unnecessarily compromises our own interests, particularly with regard to the efficiency and effectiveness of the Canadian system and the stakeholders who rely on it. We can be compliant by limiting revenue cap access to grain that is truly being imported into Canada, and it would be unfortunate to do otherwise.

So we take issue, basically, with one of the amendments under Bill C-40 and believe that a narrower definition could be introduced that would be WTO compliant.

• (1735)

**The Chair:** We have probably a minute or a minute and a half.

Mr. Easter, do you have any questions?

**Hon. Wayne Easter:** Yes.

Certainly we've talked to CP about this issue before, so at least it's on the record. What you're saying, Janet, is that the amendments the government has introduced are going too far...that it could be narrower?

**Ms. Janet Weiss:** That is correct.

**Hon. Wayne Easter:** Do you have an amendment to that effect, or how would you see the legislation coming in to narrow it?

I think there is a different interpretation in a couple of places as well on whether we are allowing the revenue cap to apply to in-transit grain.

**Mr. Marc Shannon (Senior Counsel, Legal Services, Canadian Pacific Railway):** We have suggested an amendment. We provided a copy of it to Transport. Our amendment would expand the revenue cap in respect of movements to Thunder Bay, but not to the west coast ports. The reason for this is that grain moving under the cap to Thunder Bay is all covered. It's only covered under the cap to west coast ports if in fact it is then subsequently exported out of the country, that is to a country other than Canada or the United States. We see that as being in transit.

We look at the GATT article V definition and we think that provides scope for an appropriate amendment. We would not only include an amendment, as we propose, that would encompass U.S. grain moving to Thunder Bay, but we would also include an amendment to the CTA of in-transit grain that would basically pick up the words in article V of the GATT.

**Hon. Wayne Easter:** I'd suggest, Mr. Chair, that CP give that amendment to the clerk so that we can analyze it as well and then go from there.

**The Chair:** I should point out that it should be done before next Monday, as early as possible this week, so that we have it.

**Ms. Janet Weiss:** It shouldn't be a problem. We can get it to you tomorrow.

**The Chair:** Okay.

Well, I apologize, but we have exhausted our time. These things happen. But we thank you for your testimony. It's on the record, and it's from there that we will draw the information we need to conclude the final work we're doing on this bill.

If there's anything else you need to put before us, we need that in amendment form. Have that before us before next Monday at 5 o'clock.

Thank you very much.

At this time I'm going to adjourn the meeting, and you can go out and get your dinner.

Yes, Mr. Easter.

**Hon. Wayne Easter:** There's just one thing, Mr. Chair, before we adjourn. I understand that there is an amendment coming forward that looks at a review within a year. Could the clerk check out whether or not that can be done in the legislation itself, or can it be done on the side?

It seems unusual to put it in the legislation. I think it needs to be done, but we have to find a way of doing it without monkeying with the legislation.

**The Chair:** I think we've heard very clearly that we need to move in that direction.

Thank you very much.

The meeting is adjourned.









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