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Chair

The Honourable Roger Gallaway

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•(1530)

[*English*]

The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.)): Order.

Before the minister takes the stage, we have a very routine motion to be passed. We do have the requisite number of people for it.

Mrs. Desjarlais.

Mrs. Bev Desjarlais (Churchill, NDP): If the committee is in agreement, I'd like to move a motion regarding travel for the committee in September. I think everybody has the motion in front of them.

The Chair: Yes. This is just routine.

The House leaders are meeting tomorrow, and I want to assure everybody that we will not be travelling when it's inconvenient to them.

Any discussion on the motion? Can I call the question?

[*Translation*]

Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ): I'd prefer that we talk about that again after the minister's visit, please.

The Chair: There's always the quorum problem. There's no problem if the others can stay here.

Mr. Robert Carrier (Alfred-Pellan, BQ): We're all going to stay.
[*English*]

The Chair: You want to wait until after, then?

Some hon. members: Agreed.

The Chair: All right.

The long-awaited Minister of Finance is here.

Welcome, Mr. Goodale. You're aware that this committee has been studying airports and airport rents. We invite you to make an opening statement, and then we will proceed to questions.

Minister, the floor is yours.

Hon. Ralph Goodale (Minister of Finance): Mr. Chairman, I know the time is short. Quite frankly, this is a policy area that is primarily the prerogative of the Minister of Transport, so I do not have an opening statement today. I'm happy to respond to any questions the members might wish to put to me.

The Chair: I'm certain there will be many.

We'll start with Mr. Gouk.

Mr. Jim Gouk (British Columbia Southern Interior, CPC): Thank you, Mr. Chairman.

Thank you, Minister, for appearing. From our perspective, we've been referring to you as the other Minister of Transport, because every time we ask the other other Minister of Transport for something, he says it's up to Ralph. So we thought we'd better have Ralph here, because he seems to be the one who can give us the answers.

We did several things with airport rents. First of all, we passed a motion at this committee last fall asking for a freeze on airport rents—we knew it was a terrible problem—until such time as this committee could study the issue and report. This passed unanimously. The Minister of Transport indicated that he understood why we felt that way and was inclined to agree, but it was up to you. Obviously, you turned it down.

Subsequent to that, we have entered into a study. Now, certain reductions have been proposed that are presumably going ahead, but they don't even come close to what this committee unanimously recommended in terms of cuts. I'm sure you've looked at that material.

The primary argument is twofold. One, the level of rents is killing the airports, who in turn pass it on to the airlines and their customers, seriously harming them. We have an air industry in this country that seems to be teetering on the brink of destruction at all times.

The second problem is that the airports have already paid more than the value of what they took over. In addition to that, they put in billions upon billions of dollars of infrastructure that was sorely needed and overdue, at no cost to the taxpayer, at no cost to government—which is, of course, the taxpayer.

I would ask you to comment on our proposal for airport rent reductions and on any reason you have, other than the need for money, for not moving in the direction we have requested.

Hon. Ralph Goodale: Mr. Gouk, the issue of airport rents has obviously been of concern publicly, particularly to the local airport authorities, for some considerable length of time. In their public commentaries and in their individual representations to me, they raised two issues, principally. One was that the amount of rent expected by the Government of Canada over the long term—and as you know, some of these leases are for 47 or 50 years' duration—was simply too much, and they wanted to see that number brought down significantly.

The second complaint was that there was no consistent method of calculation for the rents that was applied airport by airport by airport. The calculation seemed to be different in every location. So there was an argument for consistent fairness across the system in terms of how the calculation was done.

There were other concerns raised. Smaller airports, for example, raised the issue of whether they should be paying for the chattels they inherited when they took over the operations a number of years ago, and so forth.

In looking at all the representations and seeing how things could be best fitted within the fiscal framework, I came to the conclusion—as did the Minister of Transport, as did the government—that those three points in particular were very well taken. First, we needed to reduce the amount overall that would be expected from airport rents. Secondly, there needed to be some consistent formula from airport to airport to calculate what the appropriate amount would be. And finally, there had to be some relief on the chattels. And those are the actions that we in fact announced about a month ago.

The savings over the life of the leases, which in some cases, as I said earlier, stretched out to close to 50 years, calculated in net present-value terms, will be some \$8 billion, or very close to that. For many of the airports, that is a very significant improvement. Second, there is now a standard formula by which this amount is calculated related to gross revenue. And third, further costs for many of the chattels have been totally eliminated.

This presented the government with a significant reduction in anticipated revenue over the years ahead, but it was important, in the interests of the air industry, to make these changes, and those are the changes we thought were appropriate and affordable within the context of the fiscal framework.

You make the point about the value of rents in relation to the assets that were originally turned over when authority was devolved from Transport Canada to the local airport authorities. I would make two points in response to that. First of all, what were devolved were, in part, the physical assets that carry with them a certain value. But secondly, what was also devolved was the airport enterprise as a going concern, which presents the opportunity for further revenue to be raised in the future. So the rent is not just associated with the value of the fiscal asset, but also with the going-concern nature of the operation, which does provide an opportunity in the future for further revenues to be generated.

• (1535)

I don't pretend that this matter is easy or simple, and certainly it is not cost free, from the point of view of either the local authorities or the Government of Canada. But we've tried to achieve a fair and sensible balance, which we think treats all the parties in an equitable manner within the space that was reasonable in the fiscal framework.

The Chair: Thank you, Mr. Gouk.

Madame St-Hilaire.

[*Translation*]

Ms. Caroline St-Hilaire: Thank you, Mr. Chairman.

Thank you for finally coming to meet with us, Mr. Minister.

I want to talk to you about airport rents. I would have liked you to tell us a little about how you think that can help the small airports in concrete terms. Quebec City Airport, which is a small airport, said not long ago that it would nevertheless have to pay rent.

We've understood in recent months that small airports where traffic is less than two million passengers wanted to be exempt from the obligation to pay rent. You've ruled out that scenario, whereas all airports would also like that. So I'd like to know the reason for this obstinacy.

• (1540)

[*English*]

Hon. Ralph Goodale: We examined a number of ways by which an appropriate future formula for the calculation of rent could be properly determined. There were a number of proposals: one was based on numbers of passengers passing through the facility, another was based on gross revenue, and there were several others. We took a careful look at the pros and cons of various methods of calculation and we concluded that the fairest way for all concerned would be a calculation based on gross revenue. We've concluded that there should be a graduated scale, where for those airports with a small amount of gross revenue the percentage to be paid in rent is in fact zero, and as gross revenue increases the percentage increases over time.

In the case of Quebec City—just looking at the rough calculation here—the gross revenues are probably in the \$10 million to \$25 million range per year, which results in a rental contribution out of gross revenue of 5% per year. What does that mean in dollar terms? I'll just refer to the chart here to make sure I get the right numbers. The effective saving for the Quebec City airport in the next five years will be almost \$1.5 million, and over the life of the lease, the net present value of the saving will be over \$16 million—

Mr. Denis Gauthier (Assistant Deputy Minister, Economic Development and Corporate Finance, Department of Finance): A 91% reduction.

Hon. Ralph Goodale: —and that, I'm informed, works out to a reduction of 91%, which is obviously a substantial saving compared to what would otherwise have been the case had we not made these changes.

[*Translation*]

Ms. Caroline St-Hilaire: If you had granted the requests of the industry, which wanted small airports with traffic under two million passengers to be exempt from the obligation to pay rent, there would be an even bigger reduction.

In fact, I'm a bit angry. When they appeared, the representatives of the Canadian Airports Council observed that this was in fact a step in the right direction, although it did come a bit late. In spite of all that, not only was your measure not one that the Council had suggested, but the Council wasn't even consulted about your choice.

Where does this idea, which you consider great, come from, and why are you taking five years to implement it?

[English]

Hon. Ralph Goodale: The issue with respect to these airports has unfortunately been outstanding for some period of time. For those airports where the effective management and responsibility has been devolved to a local airport authority, those agreements have been negotiated over about a 12-year period. So they're all at different stages of progress through their original lease agreements. Some have been paying rent for some time, some are just about to begin paying rent, others don't pay rent for some period of time into the future.

The challenge for us and for them was to find some equitable way to make the transition from this old situation, which was, if I may say, a hodgepodge of ad hocery, to a new situation, where we had an overall consistent approach and a lower rent burden in total. For those already paying rent, we thought the fairest way to deal with this was to have their rental reductions phased in gradually over time, avoiding the big surges in rent that were forecast for the future, and bringing down the rents on a gradual basis, to be fair to them and to be fair to everybody in the system.

Quite frankly, there's probably no perfect way to do this, but we are trying to clear up what is a very confusing and inconsistent pattern from the past. We will work our way gradually through it, treating everyone as fairly as possible in the process. And there will be a very significant saving for airports like Quebec City, in excess of 90% over the long term.

• (1545)

[Translation]

Ms. Caroline St-Hilaire: Why do you maintain that you'll be waiting another five years? Why isn't it in effect right now?

[English]

Hon. Ralph Goodale: Each of these airports is faced with a rental schedule going forward that is projected to increase, and to, in some cases, in some years increase dramatically all at once, in a way that is entirely unrealistic. We wanted to get all of those anomalies out of the system and be fair about it, and also be able to accommodate the cost of doing so in a reasonable way within the fiscal framework.

So it was a matter of balancing the benefit against the cost and trying to be fair and reasonable to everyone concerned.

The Chair: Thank you, Minister.

Madam Desjarlais.

Mrs. Bev Desjarlais: Without getting into the historical aspect, when the airports were divested, what was the mandate or the goal of the divestiture?

Hon. Ralph Goodale: Quite frankly, I think that question would be better directed to Mr. Lapierre. As the policy minister on this file, I think he would be in a better position to explain the historical perspective.

As Minister of Finance, I found an untenable cost and revenue situation on my hands that didn't work for the fiscal framework of the Government of Canada and clearly didn't work for the airport authorities. I have been struggling with that problem in the short term and going forward, rather than the historical manner in which it

evolved. I simply look back at the pattern of evolution and conclude that, in my judgment, it was far too ad hoc.

Mrs. Bev Desjarlais: Actually, I loved your choice of words earlier, your "hodgepodge of ad hocery". I promise never to forget it.

Hon. Ralph Goodale: Promise never to use it.

Mrs. Bev Desjarlais: Not a chance.

I ask this question because I've been on the transport committee since 1997. As more and more time passed, we would hear the different stories coming out of the airports of what was happening at the airports. It wasn't until this last trip we made around to the airports that I realized some of the costs that were being put on the airports.

It also has been a bit enlightening to note, or I'm getting the impression, that the Department of Transport is being funded by costs attributed to the travelling public, to the taxpayers. You mentioned it's a significant reduction in revenue. It's a bit disheartening for me to come to the view that we couldn't fix this mistake within the airport system—and possibly other transportation sectors, but certainly in the airline industry—because those dollars were being used to fund the Department of Transport. It's a bit hard for me to expect the Department of Transport to come up with a plan to fix what's happening in the airline industry if they're being funded by revenue from the airline industry.

Hon. Ralph Goodale: Ms. Desjarlais, what we've tried to do now is remedy that situation in a fair manner. We have absorbed a very substantial reduction in anticipated revenues in order to alleviate the future burden upon airports.

You might say that this revenue stream that others had anticipated into the future might have been too ambitious in terms of what they expected to generate from the rentals; quite frankly, I might well agree with you about that. I was faced with a situation where we needed to provide some relief, and we needed to do so in a way that the current fiscal framework could absorb. I think the arrangement we have produced is as fair as it can possibly be in the circumstances.

• (1550)

Mrs. Bev Desjarlais: In regard to the chattels, you mentioned that the airports no longer have to pay the chattel payments. Again, I believe it was an eye-opener for us on the transport committee to hear of some of the things the airport authorities were having to pay for. The Canadian public would be shocked to hear that in some cases it was five- and ten-year-old computers, with huge amounts of dollars having to be paid for really outdated equipment. So, again, it leads to a way of thinking that it was just a money-making endeavour for the department.

Also, again, the airport authorities were left with having to provide rental space to the Canada Border Services Agency. Now they cannot collect rent from that department of the government. I don't believe this applies in all departments of the government. If one department is renting from another, it is able to charge rent, one department to a different department, but in this case the airport authorities weren't allowed to. The Department of Defence uses the airports, and no charges are allowed to be made. Again, it was one more nail in the coffin of the airports, and I, like Madam St-Hilaire, don't believe the airports can handle waiting five years until some of these changes are put in place.

Hon. Ralph Goodale: Could I just ask Susan Margles from the department to comment on some of your points?

The Chair: Go ahead, Ms. Margles.

Ms. Susan Margles (Director, Economic Development and Corporate Finance, Department of Finance): Thank you.

Just to comment briefly, I think it's true that there are a number of arrangements in place, depending on the departments involved. But in the case of Transport Canada, as the minister alluded to, one of the changes that's being made with this new rent policy being brought in is that they will no longer be directly tied in what we call a vote-netting arrangement to the revenues coming from the airports. So that is a situation where a correction, in your terminology, is being made.

Certainly, in respect of the others, I think it's fair to say that although there may be a number of arrangements in place, none of them is there to try to hamper the operation of the airports, in effect. Whatever arrangements there are exist to allow the departments to get whatever they need out of it and to treat the airports in such a way as to get value for the taxpayer at the end of the day. I wouldn't say that any of these arrangements have been set up in an effort to hamper the way the airports operate. In most cases it's quite to the contrary.

Mrs. Bev Desjarlais: That's fine. Thank you.

The Chair: Mr. Scarpaleggia.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chair.

Welcome, Minister.

I'm a strong supporter of the airport authorities, just like every member of this committee, I think. We had the opportunity as a committee to meet many of the heads of airport authorities across the country when we travelled east and west. They're all extremely capable and are superb managers.

One thing I did notice, though, in hearings when we spoke to airport authorities, or chambers of commerce, is that when you scratched beneath the surface and asked them if they thought there should be no rent at all, many said yes—which I suppose isn't surprising. They wouldn't be doing their jobs if they didn't ask for the moon, in a sense. Many committee members seemed to agree with that request. But theoretically speaking, would you say that it's justified to even consider this?

The argument is that Canadians have paid for the airports over and over and over again and therefore charges on the Canadian public

should cease. But it seems to me that the travelling public is not the Canadian population; it's a segment of the Canadian population. Therefore, to me, that argument doesn't make perfect theoretical sense, but I'd like to hear your comments on it.

Hon. Ralph Goodale: I think your point is well taken. If you were to ask any of the local airport authorities whether they would like to pay no rent at all, like any normal human beings they would say, indeed, yes. I did have that conversation with a number of airport authorities. While they certainly stated that as their preferred position, in further conversation and discussion there was also some indication that they recognized the realities of the government's position, and that providing for some degree of rental payment was not a totally unreasonable thing to do, bearing in mind that this has an impact on taxpayers, and bearing in mind that, as you say, not all Canadians are travellers and there is a need to be fair and equitable to all concerned.

The other point I would raise is that what is transferred to a local airport authority are not just the physical assets they will have to manage and refurbish and regenerate over time, but also the going-concern enterprise, or at least the opportunity for enterprise that an airport presents. With the new rental formula now based on a percentage of gross revenue, there's obviously a very important element of fairness that's built right in here, because if there is no revenue stream being generated, then in fact there is no rent that accrues. So we've linked the two together, which I think is a fair result. Also bear in mind that overall, in terms of net present value in the long term, the burden here is coming down by more than 60%.

● (1555)

Mr. Francis Scarpaleggia: I'm glad you brought up the question of the formula. I believe that all of us here, including the Auditor General, are probably very pleased to hear that there's now a standardized formula, because I think that was one of her criticisms at the time, and the government has acted to remedy that.

I appreciate that the formula includes a great deal of flexibility, which is good if we want to protect the health of our airline industry. Does the formula take into account the North American competitive environment? For example, I'm not certain of all the details of the U.S. system, but if all of a sudden it became much cheaper to operate a U.S. airport, would the formula be adjusted so that Canadian airports wouldn't be at a disadvantage vis-à-vis American airports?

And as a corollary to that, if, for example, the Canadian airline industry went into a slump for whatever reason, is there a way we can build some flexibility into that formula so there is a cushion, if you will?

Hon. Ralph Goodale: I think that flexibility is at least in part included in the formula itself, because it is based on a percentage of gross revenue. Therefore, if a lot of gross revenue is being generated, the rent increase goes to a maximum I think of 12%. If there should be a downturn and that gross revenue should fall off, then the rent accordingly would go down. That is the value of connecting it to something like gross revenue, and that's now built right into the formula.

But let me also ask Monsieur Denis Gauthier, who is familiar with the details of the formula, to offer some advice.

Mr. Denis Gauthier: As the minister said before, the previous system had several formulas, at least five categories of formula. Some airports had rent concessions. It was very complex to follow what was going on.

I think what we have here is a much simpler approach with one graduated structure. As the minister just mentioned, there's a cyclical component. If activity goes down, they would pay a lower rate; if activity goes up, they would move into a higher category. On top of that, if there were some kind of a structural issue, beyond cyclical variation, and it could be determined or proven that there was really a competitiveness issue, it would be a much simpler formula to adjust. If the rate categories needed to be adjusted—if all of them dropped by one point or something like that—it would be much easier to do and everybody would be adjusted on a consistent basis. Whereas before we had 21 agreements with 21 airports and if you changed one there would be a “me too” phenomenon, with the others saying, “Me too, I want to be adjusted”, now it will be simpler. If there is a structural problem eventually with the level of rent, it will be easier to fix.

Mr. Francis Scarpaleggia: Simplicity equals more flexibility.

The Chair: Thank you, Mr. Scarpaleggia.

Mr. Gouk.

Mr. Jim Gouk: Thank you, Mr. Chairman.

I'm not going to ask any further questions, because I just discovered, to my disappointment, that you're only here for an hour. I realize you're busy, but it's disappointing, after having scheduled you twice for a two-hour period, to finally get you here for only an hour.

With regard to airport rents, I disagree fundamentally with the concept you are broaching. Yes, we should have a formula. Yes, there should be some costs, but I think they should be tied more to costs incurred by the government, things like ACAP. The funding should come through the national airport rents. The government used to lose \$150 million to \$200 million a year. Your government would have lost by now over \$1 billion operating the airports, never mind the billions of dollars in infrastructure funding that was needed. Even at no rent, the government is coming out of this smelling like a rose, so I think there needs to be further adjustment, and we're certainly going to be looking at that.

With ACAP, I have two areas of concern. One is the potential of this government to download costs on regional airports. This was almost done with CAR 308, the requirement to put firefighting back on airports. They were allowed to take it off with no change other than the government changing its regulation. That would be an unbearable burden for a lot of small airports. On ACAP itself, we were told by a number of people who came before our committee that applying for ACAP funding is so expensive that it isn't worth it unless you're guaranteed that you're going to get it at the end of the day. There needs to be a change in the system to get rid of the bureaucracy.

If you have any comments, fine. I hope you will agree to come back again in the near future so we can continue this. I realize this is Transport, but every answer we get from the minister always points the finger at you.

• (1600)

Hon. Ralph Goodale: Mr. Gouk, I have overall responsibility for the fiscal framework, and that means making the expenses and the revenues of the Government of Canada come together in a reasonable fashion, and in such a fashion that we're always on the black side of the ledger and never running the risk of a deficit. So I pay very close attention to those fiscal issues. They have repercussions through every department and agency of the Government of Canada.

But in respect of the appropriate policy for the operation of airports, and the Government of Canada's future investment in airports, those are matters that Minister Lapierre is in a far better position to comment on than I would be. If the issue is the impact on the fiscal framework, I can comment on it, but if it's a general question, or even a specific question, about air transport policy, that is entirely the purview of Mr. Lapierre.

The Chair: Mr. Scheer.

Mr. Andrew Scheer (Regina—Qu'Appelle, CPC): Thank you.

I wanted to mention that I disagree with your definition of a savings. I don't think you can be genuine if you say, “We were going to increase your rents by x . Now we will only increase them by y . Therefore we've saved you money.” At the end of the day, these airports will actually see their rents rise over time. It might be less than the original plan, but you haven't saved them any money.

Pearson today is paying the same as Pearson was before the announcement, and will continue to pay more. Regina will pay more under this new deal than it was before. There are no savings. You've taken a hodgepodge method of gouging air travellers and replaced it with a uniform, predictable system of gouging air travellers. But at the end of the day, they're still being gouged.

You also mentioned that the government has lost the future revenues of a going concern. To me, as Mr. Gouk said, you were losing money even before. What have you lost in the way of a going concern? Was the Government of Canada going to get into the business of leasing out franchises in airport space? Are you counting it as money lost if you can't franchise car rental kiosks and coffee shops?

Hon. Ralph Goodale: Mr. Scheer, that's exactly what the Department of Transport used to do when it was responsible for the airports. It handled the concessions and the whole ball of wax. Part of the devolution that took place over the last twelve years involved putting those enterprises in the hands of local authorities. With them went a number of physical assets, some of which were in pretty good shape, others of which were not. Also included in the devolution was the opportunity to manage the enterprise for the long term and to generate revenues from the enterprise. That opportunity is now in the hands of the local airport authority, not Transport Canada.

The Chair: I'm sorry, Mr. Scheer, but your time is up.

Mr. Wrzesnewskij.

• (1605)

Mr. Borys Wrzesnewskij (Etobicoke Centre, Lib.): Thank you, Minister, for coming to our committee meeting.

I think the department should be congratulated that this ad hocery, as it's been referred to, has been eliminated. We now have a systemic formula that is based on revenues being generated by the airport authorities. I especially like the whole concept that airports have base costs, so that formula doesn't kick in until a certain level of revenue is generated, to make sure these airports have a fair shake at things. It makes eminent business sense.

One issue that I have some concern about is whether or not we have built in a contingency, just in case things don't necessarily turn out the way we expect them to. When we take a look at some of the airport authorities—and I'll refer to the Toronto scenario—some pretty optimistic calculations for future revenues were made that don't seem to be panning out. Based on those calculations, the Toronto airport authority made some very significant investments. They built what I would call an engineering marvel, but it won't be so marvellous a few years down the line when some of these billion-dollar debts they've accumulated come due.

I'm wondering if there's a parallel in terms of what you'll be charging for these rents. Does it take into account that sort of hump when it comes to their cashflows? What will we have to do if airport authorities, which are independent bodies, make imprudent investments or investments based on false premises?

Hon. Ralph Goodale: There are two or three things in response to that. In part, the revenue base rental formula takes the kind of contingency you've referred to into account. In the case of Toronto, as a result of the new formula, over the life of the existing lease the rent will not be \$8 billion as initially anticipated. There will be a saving of \$5 billion, for a \$3 billion cost over that period of time. So it's a very significant saving into the future, from Toronto's point of view.

But there is another element to this, in terms of the long-term management and solvency issues you've raised. It is the governance legislation that Mr. Lapierre is presently working on and will be bringing forward in due course to try to ensure that the appropriate governance structures and checks and balances are properly in place across the system.

I would note, though, quite happily at the present time, that Toronto is one of those airports that is rated by the bond rating agencies—it's obviously a very large enterprise. It currently enjoys a rating of A minus, which is pretty good compared to a lot of other enterprises.

Mr. Borys Wrzesnewskyj: Thank you.

The Chair: Mr. Batters.

Mr. Dave Batters (Palliser, CPC): Thank you very much, Mr. Chair.

Mr. Goodale, I appreciate your coming before this committee today. I have just a quick comment on airport rents, and then I'd like to discuss the Farmer Rail Car Coalition and the hopper car issue.

We haven't spent a lot of time today talking about the GTAA. Certainly that is where the biggest red flags go up over the airport rent issue. When this committee travelled, we heard different airlines, such as El Al Israel Airlines, say they just may not come to Toronto any more. Given the current rent structure, they just can't afford to come here any longer. So it's a real concern in Toronto. The

latest plan the government has to address this issue lowers rent from \$146 million to \$143 million, which is negligible. These people were crying out and begging for immediate relief and they didn't get it.

I want to talk about the hopper car issue, because that seems to stand in stark contrast to the cash cow that is airport rent. This is a situation where the Farmer Rail Car Coalition has been given the inside track on negotiating for the federal hopper car fleet. Their proposal has been to take control of a \$200 million crown asset for a nominal fee, which they defined as \$1. Now the government has entered into negotiations with the Farmer Rail Car Coalition.

What has been your connection or involvement with the Farmer Rail Car Coalition, and could you please outline the steps that you and your offices have taken to assist the FRCC?

• (1610)

Hon. Ralph Goodale: For the record, Mr. Batters, the FRCC is a prairie-based coalition of organizations that about 10 years ago grew out of the Saskatchewan Association of Rural Municipalities. There is now—I could add them up here for you, but I'm sure you have the list already—a very broad grouping of largely farm-based organizations from all across western Canada that are part of the coalition.

Over the years these member organizations have made a number of representations to members of the government, including myself, to advance their idea of farmer ownership of some or all of the government's fleet of hopper cars for moving grain. I think their representations over that period have been growing in terms of the detail they were able to present and the business case they were able to present—

Mr. Dave Batters: Mr. Goodale, with due respect, sir, we know the story of the Farmer Rail Car Coalition.

Hon. Ralph Goodale: Yes.

Mr. Dave Batters: I asked what your involvement has been to assist the FRCC.

Mr. Francis Scarpaleggia: Mr. Chair, I have a point of order.

The Chair: Yes.

Mr. Francis Scarpaleggia: Is this within the terms of reference of today's meeting?

The Chair: Sure, absolutely.

Proceed, Mr. Batters.

Mr. Dave Batters: The reason I'm hurrying you along, sir, is because we thought we'd have you for two hours. Now we have bells today, and I'm going to be cut off in five minutes.

We're very familiar with the story of the FRCC. I'd like you to tell me if you know some of the individuals involved at the FRCC, how you know them, and what you've done to help the organization.

Hon. Ralph Goodale: I certainly know the president and the chairman of the board, Mr. Sinclair Harrison, largely, sir, because he's a long-standing president of the Saskatchewan Association of Rural Municipalities, which is a very well-known and non-political prairie organization.

Because I was Minister of Agriculture, from time to time I would have occasion to deal with organizations like the Keystone Agricultural Producers, the Prairie Producers Car Shippers Association, the Saskatchewan Pulse Growers, and Wild Rose Agricultural Producers. So in my professional capacity I know a good many of these people because they are from very prominent, prairie-based farm organizations, which, I hasten to point out, come from every conceivable political stripe on the prairies.

The Chair: Okay.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier: Good afternoon, Mr. Goodale. I'm going to try to be brief, since the bells are ringing and we're in a rush.

I toured Canada's various airports together with the other committee members. We gathered from those meetings that people wanted rent cuts as soon as possible. The policy recently announced refers to a cut that won't go into effect for approximately five years. Few cuts are scheduled for this year, and the reception of your policy by the President of Aéroports de Montréal was lukewarm. He feels this new policy won't make it possible to reduce the costs of airport improvements or airline rents. Ultimately, those costs will still be borne by carrier users. That's what explains the recommendations in our interim report, which you have no doubt read.

What do you intend to do with our report? Will the committee's unanimous recommendations serve as a basis for eventual measures?

[*English*]

Hon. Ralph Goodale: Monsieur Carrier, the committee recommended that rents be reduced and that there should be some kind of a consistent formula to calculate what those rents ought to be. The government has obviously moved on those two fronts, as well as on the issue of whether or not there should be any payment in relation to chattels.

I recognize that the committee would like to go further and faster. In making the decision here about what's possible, the issue was, on the one hand, how do we best relieve some of the cost burden on the airports, and at the same time, how do we make that affordable within the fiscal framework, especially within the first five years of the fiscal framework? The result that I've come up with, in consultation with my cabinet colleagues, is an attempt to really get the right balance here.

In terms of the formal recommendations of the transport committee on this matter, as is the usual case with all committee reports, the Department of Transport will consider all of that input and file a formal response with the House of Commons, which I understand should be available, in the normal course of things, by or before September.

• (1615)

The Chair: Colleagues, we only have about 10 minutes before the vote. I'm in your hands. We have a motion we want to pass, because there's a House leaders' meeting tomorrow.

Mr. James Moore (Port Moody—Westwood—Port Coquitlam, CPC): Okay. Hopefully, this will be a quick vote.

The Chair: Mr. Moore is going to ask one question, I believe. That will be about time.

Mr. James Moore: I have a number of questions about the hopper cars, which I will ask very quickly. Why wasn't the whole hopper car issue—

Hon. Jim Karygiannis (Scarborough—Agincourt, Lib.): Mr. Chair, on a point of order, I believe it was Mr. Carrier's turn to ask him questions.

Mr. James Moore: He's finished. Stop protecting the minister.

The Chair: Mr. Karygiannis, pay attention. Mr. Carrier just finished his five minutes. Okay?

Hon. Jim Karygiannis: Are you going to go to the five minutes for Ms. Desjarlais after this?

Mr. James Moore: Let him chair the meeting, Jim.

The Chair: Go ahead.

Mr. James Moore: Why weren't the hopper cars that were given to the FRCC put to open tender?

You can appreciate that a lot of questions would be raised here, given that Mr. Doug Richardson, who is legal counsel for them, is John Turner's former chief of staff and that Sinclair Harrison is a long-time Liberal.

Why wouldn't these be put to an open tender? Doesn't this clearly represent some shady questioning that has come to light?

Hon. Ralph Goodale: No, Mr. Moore, it doesn't. I invite you to look at the full scope of the membership of the Farmer Rail Car Coalition. It involves a broad cross-section of the prairie farm community. There are farmers and farm organizations who hold a variety of different views about grain transportation issues. This is just one of them. There will be farmers and farm leaders, I'm sure, who take a different point of view on this issue. When you have a coalition as broad and as deep as the FRCC represents, it's not a matter of partisanship or partisan connections in any way, shape, or form because it covers the full spectrum of farm opinion and political opinion across western Canada.

Mr. James Moore: This committee studied this issue long and hard, with all members of this committee on all sides coming to unanimous agreements. You ignored every single one of them. Why?

Hon. Ralph Goodale: Mr. Moore, after a good deal of reflection and due diligence, the government arrived at the conclusion that we should enter into negotiations with the FRCC, to see if an appropriate transaction was negotiable—

Mr. James Moore: But this is the problem.

Hon. Ralph Goodale:—a transaction that properly respected and reflected the interests of everybody.

Mr. James Moore: The problem, Mr. Minister, is that you went straight to the FRCC and negotiated with them directly without having an open and fair tender. These are well-known, lifelong Liberals at the head of this organization. Why didn't you have an open and fair tendering process?

Hon. Ralph Goodale: I'm a little puzzled by that. You are saying the president of the Saskatchewan Association of Rural Municipalities is a lifelong Liberal. To my knowledge, that gentleman is Mr. Neal Hardy, a former Progressive Conservative member of the legislature of Saskatchewan.

Mr. James Moore: I'm saying Sinclair Harrison.

The Chair: Let's have some order.

Ms. Desjarlais has the last word. We're almost out of time here.

Hon. Ralph Goodale: It also includes Nettie Wiebe.

The Chair: Go ahead.

Hon. Ralph Goodale: So we have a good cross-section here.

The Chair: One question.

Mrs. Bev Desjarlais: With regard to the Farmer Rail Car Coalition, I actually see the purchase of the cars along the same lines as I've seen the chattels we're talking about with the airports, and that is, there's no need to charge an excessive rate for equipment that is going to have to be renewed in the upcoming years, which is something the Farmer Rail Car Coalition has done. I, for one, have met with a number of the individuals involved over the last eight years and totally support the sale to the Farmer Rail Car Coalition. It's so very rare that anything from here seems to be given to western producers and western farmers that I would very much like them to have this settled once and for all. It's been highly supported by the Hudson Bay Route Association, which has a lot of eastern Saskatchewan farmers.

• (1620)

The Chair: Ms. Desjarlais, get to the question.

Mrs. Bev Desjarlais: I'm getting there.

I want to know when this is going to be resolved and whether they have to continue for another one to five years before it's resolved.

Hon. Ralph Goodale: Well, the negotiation is under way at the present time, Ms. Desjarlais. It really does remain to be seen whether an appropriate transaction can be arrived at. From the point of view of people on all sides, I know the sooner that discussion is completed the better.

There is a very important element of due diligence that needs to be done on a variety of issues, but one issue in particular is the method

and the cost of car maintenance, because that's a critical element in determining whether or not a transaction is viable here. That analytical work is under way. I'm sure all parties want to conclude it as rapidly as possible.

Let me say this about the preamble to your question and your emphasis on the interests of western Canadian grain producers. If a transaction is not constructed with farmers, the alternative would be a transaction with a railway company, a grain company, a commercial leasing company, or an American leasing company. Quite frankly, I think it's not unreasonable to see if it's possible to have a decent transaction, first and foremost, with prairie farmers.

The Chair: Thank you, Ms. Desjarlais.

Thank you, Minister. That concludes your segment of the program.

Hon. Ralph Goodale: Thank you very much, Mr. Gallaway.

The Chair: We have about six minutes before the vote. We had a motion moved by Ms. Desjarlais, and we have to have a vote on this now.

Did you want to speak on it, just quickly?

[*Translation*]

Ms. Caroline St-Hilaire: At the last committee meeting, we said in the context of the report that we wouldn't be travelling for the moment, that we'd have the studies sent to us. Now I learn that you, as Chair, have said there was a unanimous motion by the committee, whereas I've always said we wouldn't travel before receiving the studies. Consequently, if you introduce that motion, we'll vote against it.

[*English*]

The Chair: That's fine.

The motion is to travel in September.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Thank you.

The meeting is adjourned.

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