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# Standing Committee on Agriculture and Agri- Food

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EVIDENCE

**Thursday, October 22, 2009**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Thursday, October 22, 2009

•(1535)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** I call this meeting to order.

With us today we have witnesses from Canadian National and the Canadian Wheat Board, and as an individual, Mr. Cam Goff.

If you could keep presentations from each organization to 10 minutes or less, we'd appreciate it.

We'll call on, first, Mr. Finn or Mr. Ruest.

You have 10 minutes, please.

**Mr. Jean-Jacques Ruest (Senior Vice-President, Marketing, Sales and Marketing, Canadian National):** My name is Jean-Jacques Ruest. I'm the senior VP of marketing at CN. Thank you for today's opportunity to appear before the Standing Committee on Agriculture and Agri-Food.

I'd like to outline CN's commitment to the prairie farmers who choose to load producer cars. We are pleased to be here today and we look forward to providing further information to the committee on our decision to delist 53 of CN's 176 sites at which we have loading stations for producer cars.

But first let's talk briefly about our commitment to producer car loading as one of the ways we move grain to the ports from the west. CN is committed to customers who choose to load producer cars. There is no basis to any claim that states otherwise, as the hard facts, the Canadian Grain Commission numbers, speak volumes.

Let me share some of that with you. For example, in the last crop year—from August to July of each year—a record number of producer cars were loaded in western Canada, of which 65%, or two-thirds, were loaded on CN. This translated to 8,262 cars being loaded in the 2008-09 crop year.

What we saw last year was part of a greater trend occurring year after year with producer cars being loaded. Last year was no exception, with an increase of about 22% from the previous crop year. That is 22% more producer car business than there was the year before, which is quite a significant increase for that segment. In addition, nearly half the producer cars loaded on CN were shipped across our most efficient route, that is, through northern British Columbia, destined for the Port of Prince Rupert.

We're in the business of moving cars, whether it be grain cars, forest product cars, or any other commodities. It's a success story of growth for our customers and for CN. Why has the number of

producer cars been growing in the last year or last few years? We believe it's in part the result of our deliberate effort to target the work with individual customers who actually load producer cars with grain.

For example, the Saskatchewan West Central Road and Rail group loads grain at four of CN's top five producer car stations. Eston, Laporte, Beechy, and Lucky Lake, Saskatchewan, were used fairly heavily for producer cars. Customers at these four points loaded, between these stations, 2,100 cars in the last crop year.

Another example of a success story is in southwest Camrose, Alberta, on the CN Alliance subdivision. The number of cars loaded by the Battle River producer car group last year grew by more than one third. These customers recently signed a short line operating agreement with CN that would enable producer cars to continue to grow in the years to come.

The last example I'd like to bring to the committee is that of the Manitoba villages of Oakville and Laurier, where two of CN's most successful producer car stations are located. Customers at each of these two sites loaded more than 135 producer cars last year, and we expect that growth to continue in the years to come.

These success stories clearly illustrate that we don't discriminate against producer car loaders in supplying empty railcars when they need to load product for export. In fact, it's quite the opposite. CN spends significant time and resources negotiating commercial agreements with groups or individual customers who are interested in loading producer cars. As a result, producer car stations remain open and viable. To be viable, you need to have business out of a site.

Further, when we identify weakness, we act. Last year we recognized that for a producer customer to have a sense of when his empty car supply was coming in, the visibility wasn't as good as required, and we made some changes to our website so that he could be notified of the empty cars coming into the site, based on his requirement. This system allows the producer to plan more effectively when bringing grain to the station, as he can track the car's location and determine when it will arrive at the station.

In summary, we make it possible for any customers who choose to load a producer car to be able to do so, with car supply and with tools such as those we have on the website to be able to see when the cars will be delivered to the site.

Now let's talk about the decrease in station use, which is the other topic we're specifically here to talk about today. We're finding that while the overall number of producer cars, the number of shipments, has increased by over 8,000 cars a year, the vast majority of these cars are coming from a relatively small number of stations. So there is more business being shipped out by producer cars, but the number of stations being used is actually very concentrated and is declining over time.

During the 2007-08 crop year, four of every five producer cars, or in other words, 80%, moved out of a limited number of stations—only 29. So 29 stations represent 80% of what's been moving, and what's been moving has been growing. The remaining 20% of the stations, or 147 stations, have moved fewer than 2,000 cars, and that's eventually really where the issues come in.

Let's look at these other stations. Clearly these sites are being used minimally, and in some cases, not at all. And it's by choice: producers decide which site they'll use for a shipment, not the railroad.

Last year, towards the end of the crop year, sometime in the spring and early summer, we initiated an integral review of all the loading sites. We found that 47 of 53 stations identified for closure had no car movement in the 2008-09 crop year. That's 47 stations with no business in the last crop year, while 39 stations have not been used for the past three years. This trend has been seen in years prior, as producers were choosing fewer sites to load an increasing number of cars. So that's really where the direction of the shippers' choice, the customers' choice, seems to be heading.

CN responded as any responsible business would. We need to manage costs, so where the equipment is not used or where all of the equipment is idle, we choose to close these stations that are not being used so that we can avoid the costs and risks associated with these idle facilities. Producers demonstrated the redundancy of these sites by their choice of not using them and we followed that with a decision to close them to mitigate costs and risk management.

CN published a notice with respect to closure of these 53 stations in local newspapers as per the CTA regulations. We did that starting sometime early in July. It is a 60-day process. Above and beyond the regulatory requirements, CN also felt it was appropriate to contact the affected communities directly. We did that for over 100 contacts. Most of them were actually done before we put the publication in the newspaper. The affected municipalities were contacted and we spoke to elected officials and chief administrative officers to inform them of the pending closures we were planning to do.

In most cases, the vast majority of the cases, the reaction from these personal contacts was minimal, and most understood the rationale of closing sites that had not been used by producers or that were basically not in business. Even a handful of elected officials across the three prairie provinces who had concerns understood the business reasons about closing these sites if the sites were not going to be supported by users, by shippers.

In terms of the regulatory process, the 60-day period expired in early September. Following the 60-day notice period, 40 of the 53 stations had been delisted from our website as of the second week of September.

Upon close review of what we had done last summer in selecting the newspapers for the notice, we noticed that in 13 cases the publication selected was not appropriate. They were not in close enough proximity to the sites affected. So in the case of these 13 stations, they remain active, they remain listed, and we plan on providing the notice for delisting as of November 1. CN will advertise at that time the additional 13 sites, again with a minimum notice of the 60 days, which will then put them on the same timeline as the 40 stations that are already currently delisted.

CN Public Affairs also indicated to Minister Merrifield that, notwithstanding the notice that we provided and the fact that the sites were delisted, CN remained open to negotiating with any producers or groups of shippers or municipalities who would be interested in leasing these sites to put them in business, with "in business" meaning shipping product out of there. In order to allow the time for that to take place, we've also agreed, on a voluntary basis, not to remove any infrastructure from these sites before December 31 of this year, thus providing more time for some options to come forward.

Following the delisting of these 53 stations, producers still have alternative stations in reasonable proximity. In fact, 49 stations have an alternate location on either CN or CP within 50 kilometres of these stations.

• (1540)

CN will retain 123 stations following the closure. All of them had some business in past years. If you add in the 129 CP stations, that provides quite a wide range, with 252 stations for producer loading sites across the Prairies to load grain, over and above what the grain companies also offer to the shippers.

To keep on time, maybe we'll go to our wrap-up.

In conclusion, CN remains committed to moving producer cars for prairie grain producers. In fact, we're seeking more business. The beginning of the grain season is starting a little more slowly than we would have hoped, and it's the same thing for these sites.

But really, what would keep the sites open is business. If you don't use it, eventually the site disappears. It's the same as any other business, whether it's a coffee shop or a gas station. If there are no customers, eventually the owner of the gas station will close and mitigate his costs going forward.

Do we have more time?

• (1545)

**The Chair:** You have a few seconds if you want to wrap up. I'm sure you can always add something in during the questioning as well.

**Mr. Jean-Jacques Ruest:** I think we can wrap up with that.

**The Chair:** Thanks very much.

We'll now move to the Canadian Wheat Board. We have Mr. Ian White and Mr. Larry Hill here.

Gentlemen, you have 10 minutes or less.

**Mr. Larry Hill (Chair, Board of Directors, Canadian Wheat Board):** Good afternoon.

My name is Larry Hill and I'm the chairman of the Canadian Wheat Board's board of directors. I farm near Swift Current, Saskatchewan. As mentioned, Ian White is with me today. He's the CWB's chief executive officer.

I'd like to thank the committee for inviting the CWB to speak on this issue today.

The CWB markets wheat and barley on behalf of the grain producers in western Canada. As such, we are a significant player in the grain handling and transportation system and we are very concerned with how that system is structured and how it works.

The CWB has been a supporter of producer car loading because it puts money in farmers' pockets and because it brings an important element of competition into a system that continues to undergo significant consolidation.

Shipping grain by producer cars saves farmers between \$800 to \$1,200 a year, depending on their location. This translates into added returns of over \$10 per tonne, which, in the context of today's lower prices, can mean the difference between making and losing money on a typical prairie farm. In large part, this is why more and more farmers are looking at loading producer cars.

In the 2008-09 crop year, there was a record amount of grain shipped by producer cars in western Canada. In all, 12,447 cars were loaded. This represents over 1.1 million tonnes of grain. Considering that only 10 years ago the volume of producer cars had fallen to only 3,000, there is clearly a significant trend here.

It should also be noted that the vast majority of grain shipped by producer cars is wheat, durum, and barley that the CWB sells on farmers' behalf. The CWB facilitates the sales agreements and port authorizations that have to be in place before grain is moved. It also works with the Canadian Grain Commission to secure car supply from the railways for producer car shippers.

Beyond the immediate impact that shipping producer cars can have on a farmer's bottom line, there are many other underlying benefits that grain producers will often cite in explaining why this is an important option for them. Producer car shipping reduces the distances they have to travel to haul their grain. It reduces the wear and tear on local roads. It keeps money and economic activity within their communities. All of these are good and valid reasons.

The CWB therefore is in favour of a grain handling and transportation system that allows farmers to have access to producer car loading as a viable option, both now and in the future. By the same token, it's opposed to measures that would substantially impair the growth and development of producer car shipping in western Canada.

The delisting of 53 producer car loading sites by CN is certainly of concern to the CWB. The loss of this many sidings can only have a negative effect on the farmers of western Canada and on the availability of the producer car shipping option.

The CWB applauds the efforts of the federal government in getting CN to delay the delisting of these sites until at least 2010. This gives all parties time to take a second look at the proposal and determine if it is really in the best interests of western Canada to proceed.

Among the facets of the issue that need re-examination during this period, the CWB would like to suggest the following.

Given the growth of producer car loading shipments, past usage should not be the sole consideration of whether or not a site is delisted. Once a siding is gone, it is gone forever. Therefore, some consideration needs to be given to the potential for future use.

The process for delisting needs to be more transparent. As pointed out by the Saskatchewan Association of Rural Municipalities when it appeared before the committee, several concerned parties did not come forward with complaints and comments until after the 60-day notification period. This suggests that different ways of notifying the public, and farmers in particular, must be found. As well, there needs to be more transparency in how the railways determine which sidings are delisted so that concerned parties are in a better position to develop long-term strategies for keeping their producer car loading sites and to mitigate the risk of delisting.

The CWB believes there would be benefit in more closely aligning how producer car sidings are delisted with the kind of protection that is afforded to urban rail sidings. Section 146.2 of the Canada Transportation Act requires a 12-month notification period prior to the elimination of a siding within a metropolitan area.

- (1550)

In addition to having to list on their website the urban sidings that are up for delisting, railways must alert interested parties, including the various levels of government and local transit authorities, of their intentions. Further, the entire process for eliminating urban sidings is well defined in the Transportation Act. Similar safeguards and protocols need to be put in place for producer car sidings.

In summary, the CWB works closely with many producers who feel that the ability to ship their own grain by producer car is an important tool in their grain marketing tool box. The CWB wants to make sure their ability to use this important tool is not taken away from them piece by piece.

Thank you. We welcome your questions later.

**The Chair:** Thanks very much for staying well within the time. We appreciate that.

We'll move now to Mr. Cam Goff, a farmer.

Welcome. Go ahead for 10 minutes, Mr. Goff.

**Mr. Cam Goff (As an Individual):** Thank you, Larry.

I would like to thank the Standing Committee on Agriculture and Agri-Food for taking seriously the issue of CN's delisting of producer car public sites and for inviting me to talk to you.

My name is Cam Goff. As you may be aware, I am an elected director of the Canadian Wheat Board. However, today I'm here as a producer car loader, and I'm not representing the board.

I want to register my grave concerns about CN's intentions, which I feel will deal a major blow to both the present and the future ability of western Canada's farmers to access local rail transportation for moving their grain to market.

I farm as part of a family operation near Hanley, Saskatchewan, just south of Saskatoon. We grow a variety of crops such as wheat, barley, winter wheat, durum, and flax, etc., and my brothers and I have been loading producer cars for the last 15 years.

The existence of public sites spread out across the Prairies gives farmers an additional avenue to ship their grain and provides checks and balances to the grain handling and transportation system. This helps to keep the major players honest and brings an important element of competition to the ongoing consolidation in the grain industry.

It's the broad geographic positioning of sufficient density that makes these public sites useful to farmers as an effective safety valve. Closing public sites will inevitably increase the distance the majority of farmers have to haul and this will reduce both opportunity and profitability.

CN argues that lack of use of these public sites makes these sites unnecessary and an economic drag on the system. In comparison, I'd just like to point out that all hot water heaters in homes have a safety valve installed to prevent an explosion in case the controls malfunction. These valves are mandated by regulation on every heater installed in this country, and the fact that very few of these valves ever perform their function in no way lessens the critical need for their inclusion. It does not allow the manufacturer to eliminate them as a cost-saving measure.

During the last 12 years, producer car usage has steadily increased from 3,000 cars to a record 12,467. This is an indication to me that the number of public sites should be increased, not reduced. The economic savings to producers who choose to load their own rail cars can approach, by my reckoning, \$2,000 a car. This saving, along with the economic activity generated locally in the town and the retention of local rail service, is endangered by this proposal.

Farmers need the choice of railcar loading as an option for grain movement. Having the maximum number of public loading sites available helps ensure reasonable access to this cost-saving option.

It has to be realized that many factors affect the practicality of an individual loading a producer car. CN only guarantees a penalty-free loading time of eight hours, so time is critical. A farmer has to haul an auger to the loading site—and you can only go as fast as your tractor goes—set up the auger, return home, load the truck, drive back to the site, and start loading the car, all of this after the farmer

has previously driven to the site to confirm that the car was dropped off and is capable of holding grain.

From my experience, I can assure you CN's performance on delivery timing and railcar condition has a lot of room for improvement. It's unwise for a producer to assume that a railcar will arrive in good time and in good condition.

A farmer's right to access public producer car sites was enshrined in legislation near the turn of the 20th century after a hard-fought battle against the grain companies and railways of the day. This access was legislated to ensure that farmers had the ability to choose between the services offered by the big companies and the savings and convenience afforded by local self-loading.

These issues are as relevant now as they were then. Farmer access to public producer car loading sites for loading railcars was not granted for the railways' convenience or economic benefit. It was granted for the benefit of grain producers. The legal right to order a railcar is useless if there is no mechanism in place to ensure the car is placed within a practical distance.

These public sites have proven their value many times. I know of two instances where producer groups were able to use their local public sidings to force CN into negotiations.

These groups had been trying to enter into commercial agreements with CN to establish producer car loading facilities, but they were met with antagonism and lack of cooperation. It wasn't until they had gained CN's attention by loading at multiple public sites and becoming a source of irritation that CN grudgingly entered into negotiations. As well, there's another ongoing case, where CN has been ignoring two different groups that have been trying for several years to establish commercial facilities.

• (1555)

One of the biggest concerns I have is the process that allows the potential abandonment of 30% of the loading sites on CN's list to be left to the sole discretion of CN. CN may have followed all the procedures laid out in the act, but the act is flawed in this regard. I'm asking for your help in correcting this legislative defect to maintain producer choice. It must be dealt with by the appropriate bodies.

Decisions as far-reaching as this one, which affect so many people across so wide an area on such a large scale, must not be left to a single party with self-interested motives. A transparent system would include a much more effective public notification system. Farmers and all levels of governance should be involved.

The onus should be put on the railways to prove why these sites need to be abandoned. The entire producer car loading system should be subject to scrutiny by all affected parties. It should be designed to ensure the best placement of sites and the best use of resources. I think all concerned realize that if sites are abandoned and infrastructure is removed, it would be a loss to our rail system forever.

In a world that is struggling to reduce consumption of non-renewable resources and that realizes rail is the most efficient method of land transport, we have to maximize the use of our ecologically sound assets. These public loading sites were never intended to be a source of extra revenue for the railroads. They were intended to impose checks and balances by allowing farmers the ability to ship their production using an alternate method and from reasonably convenient locations.

I do not believe that commercial discussions have anything to do with public producer car sites, which are a regulatory issue, not a commercial one. Producers would be waiving their regulatory protection by entering into a commercial arrangement on these sites. This is an unacceptable and unnecessary capitulation to CN's strategy for eliminating farmer choice.

One could imagine a city transit system arguing that stops three blocks apart are uneconomical, given the extra time it takes to stop and start, the wear on the equipment, the extra fuel used, and the wages for the driver. Reducing the number of stops by spacing them one kilometre apart would certainly reduce costs to the transit company, but it would also likely drive usage to a point where it could be argued that the entire system should be abandoned.

In closing, I ask that you do what you can to stop the delisting of these public sites. We must ensure that legislation protects the maximum number of farmers and maintains the greatest possible access to this important avenue for grain movement. The checks and balances these public sites provide must not be underestimated. Our recent experience with the current economic crisis should have taught us the folly of allowing self-regulation by big business.

I urgently request that you pass this matter on to your colleagues in the appropriate department so you can enact legislative change. Please ask for their immediate involvement in this process. I just want to remind you that CN has agreed only to leave these 53 sites intact until January 1, 2010.

Thank you for your consideration. I hope for a positive response.

**The Chair:** Thanks very much, gentlemen.

We'll now move to questions, colleagues. You will have seven minutes.

We'll start with Mr. Easter.

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

Thank you to the witnesses for coming in.

Mr. Goff, you've certainly spelled out the issue from a producer's perspective pretty vividly, and I respect that. I have a first question for you, then. I take it from your presentation that producers see this basically as a matter of rights. Is that correct?

• (1600)

**Mr. Cam Goff:** Yes, that's correct. All the producers I've talked to agree: to leave it to one entity to make all the decisions is just wrong.

**Hon. Wayne Easter:** I agree with you 100%. The railways have been gouging farmers the last number of years, but these guys won't allow a costing review, and that's a problem.

Anyway, on this specific issue—

**Mr. Brian Storseth (Westlock—St. Paul, CPC):** On a point of order, Mr. Chair, we should all be agreeing on this. This is the first government to take a position—

**An hon. member:** That's not a point of order.

**Mr. Brian Storseth:** —and put a bill of rights on the table in which we have a review of a level of service, which everybody agrees is the first thing we should do.

**Hon. Wayne Easter:** Mr. Chair, that's not a point of order.

**The Chair:** Mr. Easter, go ahead.

**Hon. Wayne Easter:** For CN, I was left with the impression from the parliamentary secretary that all 52 sites would not be delisted, but from listening to your remarks today... Are they delisted now? Are there just 13 that are not delisted? Can you spell that out for me?

**Mr. Jean-Jacques Ruest:** Forty of them are delisted and we followed the 60-day process. Right now they are in suspension. We have put a moratorium on them in terms of dismantling. They were physically intact but were not taking orders. That is what delisting means.

Thirteen are still listed. These are the 13 we published last summer. We did not publish that in the right newspaper and we'll republish on November 1.

**Hon. Wayne Easter:** Your remarks led me to believe that this so-called moratorium is in place until January.

**Mr. Jean-Jacques Ruest:** Yes.

**Hon. Wayne Easter:** Also, you're negotiating to have the municipalities take over the costs and liabilities, if there are any.

**Mr. Jean-Jacques Ruest:** No. We are open to offers from potential users of these 40 sites. If somebody steps up and provides evidence that they'll be shipping... To us, business is shipping. If you don't have commercial transactions, you can't keep a gas station or a Tim Hortons or anything open for even four or five years.

**Hon. Wayne Easter:** If anybody has rights under the railways legislation, it is the railways. You are guaranteed specific returns on capital. It was the previous government—and I sometimes disagree with the previous government, I have to admit—that allowed the cost of transport to go up.

So you guys are assured of your profit, but you are taking away the right of poor folks like Cam Goff to have a producer car loading site. Can you give us the cost to you of these 53 sites that you are trying to close down?

**Mr. Jean-Jacques Ruest:** It's news to me that our return on capital is guaranteed.

**Hon. Wayne Easter:** What's the cost of these 53 sites?

**Mr. Jean-Jacques Ruest:** You are talking about idle stations, so the cost is related to having a person walk the switch once a week. A producer car station is basically a siding. The siding connects at both ends with a rail line. Every week we have a person who walks the switches and looks at them to make sure they're safe. Every month we have somebody who walks the track to make sure the track is safe, even though the sidings and these switches and tracks are never used.

So you have the cost of proactive maintenance reviews. When we find something defective on the switch, we have to pay to maintain it.

**Hon. Wayne Easter:** Can CN provide this committee with the actual accounting of the costs of maintaining these sites so that we can have a look and make some recommendations?

**Mr. Jean-Jacques Ruest:** You are in the range of \$8,000 to \$12,000 per site.

• (1605)

**Hon. Wayne Easter:** The other thing that surprised me is that if a producer loads a car and it's faulty, if it leaks water through the hatches or grain out the chute, this is the producer's liability. Is that correct?

**Mr. Jean-Jacques Ruest:** Anybody who loads a rail car, whether it's for pulp, grain, or anything else, would have a quick look at the car. I imagine a producer would do the same thing. He would look to see if the gate might be leaking. He would load the product. If, when he unloads, he finds that he has lost some product, he would file a claim with the Wheat Board and the Wheat Board would go back to CN.

**Hon. Wayne Easter:** Then CN accepts the liability for cars that are not properly—

**Mr. Jean-Jacques Ruest:** When we have damage and a loss of product in transit, the facts will speak for themselves. We take it from there.

**Mr. Ian White (President and Chief Executive Officer, Canadian Wheat Board):** On the point about the grain companies, I honestly don't know the answer to it.

However, it may be that if a producer has to go a longer distance, then it may simply be more convenient to go to a local grain company rather than a longer distance to a site, so there could be an element of driving business toward local elevator sites. I really don't know the answer to that, because it does depend on exactly where the sites are and where the elevators are located. But there could be an element of that.

In terms of the recommendations, I think we would generally agree, as Mr. Hill has said, that there should be a different process. We haven't specified what that process would be, but I think we could work with the committee to look at what process would

provide a greater period of notice and a greater period of consultation and then some other mechanism that would bring the issue to a head where there wasn't agreement.

**The Chair:** Thank you very much.

Mr. Bellavance, seven minutes.

[*Translation*]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you, Mr. Chair.

Am I mistaken, or were people from the Department of Transport supposed to be on the agenda?

[*English*]

**The Chair:** They are at 4:30.

[*Translation*]

**Mr. André Bellavance:** Fine. I just wanted to check that they were going to be here today.

Mr. Hill and Mr. White, you heard CN claim that 53 producer car loading stations were being closed because they were not being used. Did you at the Canadian Wheat Board check this, not necessarily at all 53 stations, to see if they were truly underutilized and to see if the numbers provided to the committee today by CN are correct? We are being told that 47 stations were not used at all during the 2008-2009 crop year, that 42 of the stations have loaded no cars for the past two years and that 39 of the stations have loaded no cars for the past three years.

Have you checked this yourselves? Do you have any explanation for us? Was it appropriate for CN to close those stations for the reasons they gave?

[*English*]

**Mr. Ian White:** We don't doubt the statistics provided by CN. From our point of view, the issue is that the more you take away producer sites in an environment where farmers are continuing to load greater numbers of producer cars, the more you basically limit the opportunity for farmers in the future. Our view is that you shouldn't necessarily take recent past history into account when you're looking at what the future may be. There needs to be a good and reasonable network that farmers can access for producer loading sites.

[*Translation*]

**Mr. André Bellavance:** In your opinion, do you think that closing those loading stations for those reasons—because that is the main argument—is a logical business decision? I heard Mr. Ruest tell Mr. Easter—if I am not mistaken about the numbers—that they would save from \$8,000 to \$10,000 per station by doing that. The reasons were not very clear. The cost was mainly due to the visual inspection that is done on foot by staff who have to make sure that the rails are in good condition.

Do you think that CN made a logical business decision in closing those stations because, according to them, they were no longer used?



•(1610)

[English]

**Mr. Ian White:** I have no real information about the cost of maintaining these sites. I really don't know the answer to that. The issue seems to be between different points of view. On the one hand you have CN coming at this from a seemingly commercial point of view, while on the other hand you have the rights of producer cars, shippers, to have access to sites being put forward. I think there is a very definite point being put forward associated with those rights.

[Translation]

**Mr. André Bellavance:** Mr. Ruest, you stated earlier that the closure of 40 of those 53 sites would be delayed until 2010. Did I understand that correctly? When this was discussed at the last meeting, the minister's parliamentary secretary told us that there was good news because these stations would not be closed after all. In reality, if I understand correctly, this just means a postponement of a few months. The CN has no intention whatsoever of changing its decision and these stations will be closed anyway.

**Mr. Jean-Jacques Ruest:** There will be a delay until the end of December for the 40 stations that have already been delisted. That was our commitment.

**Mr. André Bellavance:** Do you mean December 2009, Mr. Ruest?

**Mr. Jean-Jacques Ruest:** Yes, I mean this year. We are always open to looking at business plans with individuals or groups who may be interested in using those stations. During the delay period, the equipment will remain. We will do nothing that would exclude the possibility of using them again. The 40 sites whose closure will be delayed are not active. We are waiting for business plans until the end of the year. For 13 of those stations, we will start the process again on November 1st.

**Mr. André Bellavance:** Why? Because you have an opening?

[English]

**The Chair:** Mr. Bellavance, if it's okay with you, Mr. Finn wanted to add something.

[Translation]

**Mr. André Bellavance:** My seven minutes are almost up. I will not be long, Mr. Finn.

Fine, go ahead.

**Mr. Sean Finn (Executive Vice-President, Corporate Services and Chief Legal Officer, Canadian National):** My comment is this. It is not purely for business reasons that we decided to take these stations off the list. You have to understand that these stations are linked to the main network, the main line, by a switch. Switches have to be inspected on a regular basis, but, most of all, the more switches there are on a main line, the higher the risk of a derailment.

You can imagine that, during the winter, snow accumulates on these switches. They have to be cleaned on a regular basis. Some have not been used for three years. When we make a business decision, the reason is to limit the risk of derailment due to a switch that has to be maintained although no car has not used it to go into the site for three years. So every switch on the main line represents a risk. It is not that it is unsafe, but there is the potential for derailment.

**Mr. André Bellavance:** What do you think of Mr. Hill's earlier suggestion that there should be the same kind of notice that they have for track in urban areas? This is 12 months, not just 60 days. Currently, you publish a 60-day notice in local media. It is only today, after you have announced the closures, that you say that you are open to considering the options with producers. Why could you not have done the consulting prior and allowed more time so that these people could organize and discuss it among themselves, so that the community could decide whether it would be appropriate to keep the station open and functioning, or to decide that, in fact, it really had not been used in a long time?

I do not know why you would not be subject to the section of the act that Mr. Hill mentioned in his brief and that applies to urban areas. That period of time would be more acceptable and would allow for true negotiation and consultation on your part with the individuals concerned, rather than simply giving them 60 days' notice.

**Mr. Sean Finn:** Let me be clear. The notice is for 60 days, but we never said that we would just give the notice and then disappear; we wanted to speak to the communities. So, in the weeks before and after the notice that we gave, we met 100 different municipalities, mayors and general managers, to discuss the issues. The communities were not just informed through a simple notice; we communicated with them in order to explain that their line had not been used for three years and that it was our intention to give notice and to no longer use it. It is not up to me to comment on the legislation as it stands today. We complied with it, and we even went beyond it. It is important to us to ensure that the communities understand what we are doing. We did not just put notices in newspapers. It is up to legislators to decide whether that notice period should be longer.

You have to understand that the situation is somewhat different in urban areas. The lines are often longer and they can therefore be used for commuter trains or other services. In this case, the only use for the line is to serve wheat producers. There is no other use. The legislator can decide whether 60 days are sufficient or not, but rest assured that the notice is not the only thing we do. We took appropriate steps to communicate with communities; they were told what was happening, even though, after 60 days, we could have just delisted them.

•(1615)

**Mr. André Bellavance:** So all you have to do is inform the Department of Transport that you are going to be closing the stations.

**Mr. Sean Finn:** No, we have to publish a notice in the newspapers in that station's area. That is quite important. After that, we proceed with the closure.

**Mr. André Bellavance:** Do you request authorization from the Department of Transport that is then obliged to grant it?

**Mr. Sean Finn:** We inform the department.

[English]

**The Chair:** Thank you, Mr. Bellavance. Your time has expired.

Thank you, Mr. Finn.

Mr. Atamanenko, you have seven minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks to all of you for being here.

I have a question for CN. All 53 sites that are scheduled for closing are currently maintained. Does this mean that in the winter all the rails are plowed and they're ready to go or is it just at certain times of year? Could you explain that, please?

**Mr. Jean-Jacques Ruest:** They're in service, so it's whatever is required to keep them in service. Even though they're not being used, they're in active service. Therefore, we need to be safe. We need to inspect the switches. We need to inspect the track. If there is maintenance required on the switch, we would do it. If we need to plow the track, we would do that.

**Mr. Alex Atamanenko:** According to my rough calculations, if we say that it costs \$10,000 to maintain a site, we're looking at around \$500,000.

**Mr. Jean-Jacques Ruest:** That would supply about 53.

**Mr. Sean Finn:** Again, I want to be clear that this is not purely an economic analysis. It's also a question of risk mitigation and risk management. We're talking about a switch on the main line serving a branch line that in some cases has not had a car on it for over three years. You can imagine this in the dead of winter; it's very clear. If it snows on the Prairies and trains go over the switch, snow gets caught in the switch. Then the day gets a bit warmer but freezes overnight and you're stuck with a switch that has ice in it. It has to be inspected and maintained.

A good railway will tell you that any switch on a main line has to be maintained at such a level that we don't have derailments. There's always a risk of derailments, and the more switches you have, especially for ones not being used, the higher the risks are.

Our job is not just to ascertain the cost of keeping those branch lines open. Our job is also mitigating our risks of an unfortunate derailment that would put down the railway, not just for that branch line, but for all of our customers, and unfortunately impact a community negatively in the case of a derailment over a switch.

**Mr. Alex Atamanenko:** It sounds as if the decision basically is one on paper, where, obviously, if cars aren't being loaded, the sites aren't needed. Yet the argument is that there's a slow increase in cars and we have to look at the future, because once a site is delisted, you can't reactivate it. That's my understanding.

My other question is a practical one. Let's say there are 39 stations that have loaded no cars for the past three years. If Cam or somebody else suddenly wanted to use one of these sites in the next week, would he have access? What's the procedure? Is it automatic that if a farmer wants one of these sites now it's just a matter of ordering the car? Then the car will be there and he can bring his auger with him and make his inspection. Or are there some complications?

I'm asking because, Cam, you mentioned that groups tried to enter into commercial agreements but were met with some antagonism and a lack of cooperation. I want to see if in fact it's now a smooth system for even these sites that are potentially going to be delisted.

**Mr. Sean Finn:** You have the statistics in front of you. I'll touch on the first point. There are currently 123 operating producer sites on CN lines in western Canada and about the same amount for CP. So

there are about 250 sites across western Canada and about a 50-kilometre spread from where they used to be.

Of the 53 sites we identified in the course of the summer that we wanted to have delisted, 40 were published in the appropriate newspapers, and we proceeded to speak to mayors, reeves, and directors of those cities or municipalities to say that we wanted to delist those 40 sites. The other 13, unfortunately, were listed in the wrong newspapers, and therefore those sites remain listed today.

We decided in September, after a meeting with the minister, to say that we understand the concern, so those 13 sites remain listed today. It's possible for a producer to order cars today and have them delivered today to serve those 13 sites.

The other 40 sites, after 60 days, were delisted. They're no longer on the website. You cannot order cars. We undertook not to impact infrastructures in any way, i.e., to leave the track there and continue to maintain the track and access to those branch lines to allow us to enter into discussions with producers or any third party who wishes us to reconsider our decision on those 40 sites. Currently they are not listed. You cannot order cars.

We are actively hoping to sit down with any producer car person in western Canada who says regarding a site that they wish to look to the next two or three years and arrive at an agreement with CN to ensure that they deliver cars. We'd be happy, if that were the case, at a certain level, to re-list that site on our website and also make service available on that site.

● (1620)

**Mr. Alex Atamanenko:** Thank you.

Cam or Larry, do you have a comment?

**Mr. Cam Goff:** When I first heard about all these sites being closed, I talked to councillors and mayors of towns at these affected producer car sites. In one case, the reeve and the council knew of the site being closed and had written to CN, but CN said, no, it was going to be closed. In the other case, the mayor of the town the site was located in was not aware these were being closed. A councillor for the site where the location was being delisted was also not aware and he was a producer car loader.

Certainly the consultations that CN undertook must have been very spotty. As I say, just from my personal experience, I know of one case where they did and of one case where they didn't. In general, if a site is listed and a producer orders a railcar, CN is obligated to spot it, but these 40 that they said they delisted, of course, they're out of the system—for good.

**Mr. Alex Atamanenko:** So basically the reason now for keeping these 53 sites open is for the future, according to farmers, the Wheat Board, and other farm organizations. Because if they're shut down now, that's it, and also, it's because of the volume, which is increasing. Is that correct?

**Mr. Cam Goff:** That is basically correct, except that some of those sites have been used. Allan, Saskatchewan, is a site that they are closing down. My brothers and I loaded two producer cars full of barley there two years ago. I think Allan has seen 16 cars in the last three years. Some of these sites that CN is delisting have had what I would consider to be a good amount of producer cars loaded.

I made a phone call to CN to find out at the beginning of this what their ideas were. They told me that they considered a commercial agreement to be \$2,000 annually for the rental of the land, if you will, and then \$8 per foot for the track. Any farmer who wants to load one or two cars a year is not going to pay \$2,000 a year to CN plus \$8 a foot for the track, because it just makes no economic sense.

These sites have to be located close to where the farmer has to haul from or they become useless. You can't haul long distances with the smaller trucks that most farmers can use in these cases. If you have to be hauling 20 or 30 miles, you can't do it penalty-free in the timeframe of eight hours. You just do not have the time to do all that work within eight hours.

**The Chair:** Thank you.

Your time has expired, Mr. Atamanenko.

We now have with us Kristine Burr and Peter Lavallée from the Department of Transport.

Thank you very much for joining us. Unless you have a presentation, we'll just keep going and open it up for questions. What would you like to do?

**Ms. Kristine Burr (Assistant Deputy Minister, Policy Group, Department of Transport):** I'm happy to speak to the committee, Mr. Chair, but I'm also very comfortable if you wish to continue with your questions.

**The Chair:** Is it fine with committee members to continue with questions?

Thank you.

Mr. Hoback, you have seven minutes.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

Thanks to all of you for coming out today. I really want you to understand how important this is to our government. There are a lot of questions and concerns at the farm gate on this issue.

Cam, I appreciate your working with me in the past on this topic and I look forward to working with you on stuff like this in the future.

I have many concerns, but unfortunately I only have seven minutes.

You talk about the lack of use, about how you're abandoning because of lack of use, yet I have a rail line from Tisdale to Hudson Bay that you haven't used in probably 10 years. It's a nice parking lot, yet you won't put that line up for abandonment.

So I kind of look at that and you seem a little disingenuous when you say you're abandoning these lines due to lack of use. Yet there is a line that would actually add a tremendous amount of value to the farmers in that region if you would use it, but you won't use it and you won't put it up for abandonment. Can you explain how you can justify abandoning all of these lines if you have a line there that should be used, that could save farmers a lot of money, and that's not being used? I have a concern there. I have a question about that.

The other concern I have is that if you go to the town of Tisdale, we have Northern Steel utilizing that spur. They're not a grain producer. They're a manufacturer. They use it for bringing in steel. How have you consulted with them?

Like Cam said, when I talked to the town of Tisdale, they said nobody consulted them, so I'd like to have a list of who you talked to. You said that you've talked to all of these RMs and communities. Can you provide that list to the committee, please?

I'd also like to take Wayne's question, the one on the spurs and the costs, one step further. You said that you inspect the switches every week so you must have documentation to prove that you did that. Can you give us four or five samples of the documentation on that to show to us that you are spending that kind of money on inspecting those spurs?

I'm going to dive a little bit more into the deal with the short lines and subsidization that you do for inland terminals. You'll do a 100-car spot on an inland terminal, whether it's farmer-owned or a grain terminal, but when it comes to a short line, you won't offer that same benefit. Why is that? There are a lot of things you could do to expand producer car loading incentives, but you've gone the other way. You've actually created more incentive so that farmers don't utilize producer cars. You've gone the other way instead of utilizing the lines that are there.

I have another concern that we are going to abandon all of these lines and then, all of a sudden, that incentives that we have given to the grain companies, the farmers, and the terminals are going to disappear also. So then there is no competition there.

I've given you about five or six questions—and maybe this is more of a lecture—but guys, I'm not comfortable here. The other thing I want to point out is that we have to stay until January, but we expect results.

The minister said to me that he expects some sort of process to be put in place and that you're going to work with the farmers, the Wheat Board, grain companies, and whoever is utilizing these lines. Have you thought of what that process is going to be and how you're going to interact with farmers and different groups?

Maybe I'll start with that question, Mr. Ruest. Have you thought about that process and what that process will be?

•(1625)

**Mr. Jean-Jacques Ruest:** Today there are very few users, if any, for these 53 sites, and being on the commercial side, we need to engage with customers. It's really the lack of customers that brought us to the decision that these sites have not been used a for long time. It's hard for us to say who might be using them. We're looking for those folks. So if somebody wants to step forward and say, "I want to use that site, I want to lease it, and I'm going to use it to ship grain", we're in the business of moving freight, and we'll happily do that.

**Mr. Randy Hoback:** So what's the process for somebody to do that? Is it just to contact CN?

**Mr. Jean-Jacques Ruest:** They can call CN. There's a number—

**Mr. Randy Hoback:** What time period do they have to create a business plan, to talk to the community members to see if there's support for doing that? Do you have that lined up in your process?

**Mr. Jean-Jacques Ruest:** You have 13 of these sites that—as is well known now—we intend to delist, and we're still waiting for orders to come in. So even though we used the wrong newspaper last summer, these sites are publicly known. They are listed today; you can place orders today. It would go a long way in keeping the sites open if orders were to come through.

**Mr. Randy Hoback:** Okay. So if I place an order today for one of these sites, in what year will I get my car?

**Mr. Jean-Jacques Ruest:** No, there's nothing wrong—

**Mr. Randy Hoback:** It's absolutely horrible, the service you provide on the Prairies, and how you take farmers for granted. You know you have your revenue and you know you have the movement, and you ignore us. I've had trucks on the road on a Sunday morning going to terminal—I've repeated this story and I'll repeat it again—and because your train hasn't shown up, I've had to reroute those trucks. That's my cost, not yours.

When we go back to CN or CP, they don't care. So why should I trust you now?

**Mr. Jean-Jacques Ruest:** We're now way beyond the producer cost. In going back to the producer cost, you place an order and we'll take your order and do our best to fill it. Right now there's a backlog only for the Port of Vancouver. We're current in the other port.

**Mr. Randy Hoback:** Okay.

Cam, what's your history from when you order a car to when you get it?

**Mr. Cam Goff:** It can vary a great deal. It has been as soon as two weeks and as long as two and a half months before they send a car.

**Mr. Randy Hoback:** After you load a car, what's the history of getting that car to the port and payment?

**Mr. Cam Goff:** That can go from just over a week to two and a half months. Sometimes it's partially CN's fault; it's also been the fault of the terminals. We had some malt barley that we shipped in the middle of November and we didn't get the cheques until the middle of February.

•(1630)

**Mr. Randy Hoback:** What's the penalty if you take longer than eight hours?

**Mr. Cam Goff:** What I've seen written down is \$360 a day, although when we have been penalized it has been only \$165 per car per day.

**Mr. Randy Hoback:** What's the penalty if CN doesn't deliver the car on time?

**Mr. Cam Goff:** Nothing.

**Mr. Randy Hoback:** What's the penalty to you as a producer if you lose the grain out of your car?

**Mr. Cam Goff:** There's no penalty; it just disappears. You have to realize that a lot of producers don't weigh our grain going into the cars. We know how much our trucks hold and we make sure we're under the amount. In places like West Central, they could identify a loss, but for people such as myself.... There was one car that ended up being about 25 tonnes under what we thought we loaded, but what do you do? It's at the terminal—

**Mr. Randy Hoback:** Were you reimbursed for those 25 tonnes?

**Mr. Cam Goff:** No.

**Mr. Randy Hoback:** If you were doing non-board grains, how would you go about doing a claim or a process on a claim? Let's say you were shipping feed barley or something like that domestically.

**Mr. Cam Goff:** It's almost impossible to ship anything other than Wheat Board grains on a producer car, because with the ongoing consolidation in the grain handling industry, if you don't have a terminal position to unload those producer cars, you can't load them, because nobody's going to unload them at port.

You know, we started off doing dealer cars—that's what they're called—of rapeseed. We'd phone up a company and they'd get a price for us on canola. We'd load the cars, off it would go to port, and it would be unloaded. You can't do that anymore. It's really pretty much strictly board grains that you can easily ship through producer cars.

**The Chair:** Thank you.

Your time has expired, Mr. Hoback.

I'd like to continue with this discussion just a little bit before we move to our next round. I was going to ask about this anyway because of Mr. Easter's question.

I'm not clear on this, Mr. Ruest, especially with the testimony that Mr. Goff just gave. It still appears that if a farmer brings in, say, 25 tonnes, for the sake of argument, and puts it on a car, and it gets to Vancouver or Churchill or wherever it's going and then there are only 20 tonnes or 18 tonnes or whatever, there's no reimbursement in place without basically making the farmer do the equivalent of swimming the English Channel.

You led me to believe that basically it was all looked after, but I'm kind of wondering.

**Mr. Jean-Jacques Ruest:** Well, we have no knowledge of how much product is put in a car, whether it's a grain car or a pulp car. The shipper would have the knowledge of what they put in. Sometimes they use scales. Sometimes they know exactly how many tonnes or how much weight they put in. Sometimes they may not know with the equipment they have. That's the first step. The railroad doesn't know that. The shipper will know that.

Second, for the grain, at destination the grain would be weighed. The terminal operator wouldn't know how much they off-loaded, so if product is lost, we're looking for a claim. Obviously, we're looking for information to come to us about how much was in the car when it was shipped and how much was in the car when it was unloaded. With those facts, we can act. Without any facts, how can we act? We don't load or unload the car; we just move it.

Also on that point, I don't know how far back in the past people want to go about all the issues going back to Methuselah, but on the 3,000 cars that we lease from the federal government, we've put them in the shop in the last 24 months. All of them went through a rehab. All of them went through quite a bit of expense—our expense—to fix them, including the gates. These cars are in much better condition today than they were two years ago.

We recognized that it was time to do some maintenance on some of these cars, including on the gates, which could cause product to leak, and we spent quite a bit of money in our shop in Winnipeg to fix those 3,000 cars.

**The Chair:** I'm not a guy to add more regulations and bookwork because, God only knows we have enough of it now, but I'm wondering if the Wheat Board, and the producers, Mr. Goff, and CN could come up with some kind of way to help verify what's there, whether it's an affidavit signed by some individual, or something else, I don't know. But I think this is obviously a problem that has not been addressed completely.

Mr. Valeriote, for five minutes, please.

**Mr. Francis Valeriote (Guelph, Lib.):** Yes, just to follow along what Mr. Hoback has asked about, and just so there's no confusion, I strongly share his sentiments. I'm sorry that I heard you say that you're just in the business of moving cars. I would have thought you would say that you're in the business of providing affordable, accessible, and timely transportation to those who need your service.

• (1635)

**Mr. Jean-Jacques Ruest:** That's correct.

**Mr. Francis Valeriote:** Well, you didn't say that, so I'm concerned, frankly, that your attitude is reflected in how you're dealing with your customers.

I don't mean to put you on the spot, but you're not selling donuts and you're not selling coffee. You're providing a service to a captive audience. Frankly, I regret to say that this is the first time in my year as an MP that I have seen a coalescence of opinion around this table about how these farmers are being treated.

I remember that years ago in Guelph we had this rails-to-trails program, where we took out rails. Now I can cycle down that path. I'll tell you that now we're regretting having done that, because the time is coming quickly when the railway is going to be the

transportation.... If it's not now, it's the transportation of the future, and you should be preserving these rail lines.

So my question to you is this: firstly, do you agree—and it has to be a short answer, yes or no—with the trends that Mr. Hill spoke of and that these will be more relied on in the future?

**Mr. Jean-Jacques Ruest:** It seems to be a trend that the producer car loading in total is going up.

**Mr. Francis Valeriote:** Okay. Thank you.

Now, for my next question, why would you not enter into some negotiations whereby these lines can basically be left mothballed? At some point in time, when the producers can demonstrate to you that they'll be used to a point that makes your investment in maintaining them worthwhile, why could you not come to some arrangement and change those switches so that you can overcome your concern about safety? Because you're looking at getting rid of a capital asset that's going to have value in the future. Could you possibly enter into those kinds of discussions with these fellows?

**Mr. Jean-Jacques Ruest:** I think that's why we're in this moratorium period right now: to enter into discussions with whoever might come forward.

**Mr. Francis Valeriote:** Okay.

So let's follow along that line for one second. Did any of you from CN have any meetings with either the government or the Department of Transport about this specific issue before September? I know you had meetings, but was this specific issue about closing these lines raised with either the government or the Department of Transport?

**Mr. Sean Finn:** No doubt, before we put the ads in the paper.... I don't have the details. There would normally be a dialogue, at least, to inform the department that we're doing this. If not, as we put the ads in for the 60 days, we would inform the department to go back and check to confirm that was done. Again, I think we could always give the notice to the department.

The real issue here—and I'll come back to the member on this issue—is that our number one concern was to get out to the communities and tell them that we are going to delist these sidings. We didn't say that we were going to lift the switch tomorrow morning—I want to be clear about that—but that we would delist the sidings and wanted to let them know in advance that this was going to happen.

But I'll have to get back to you about whether we specifically had direct discussions with Transport Canada.

**Mr. Francis Valeriote:** Either Transport Canada or the government before September: I need that answer. You're undertaking to provide that answer, are you?

**Mr. Sean Finn:** Yes, sure. Absolutely.

**Mr. Francis Valeriote:** Okay.

Now I'll go back to my previous question. To what extent will your maintenance costs of \$10,000 to \$12,000 per line be reduced if you just say to these fellows, "We're not maintaining it and you have to establish a certain level of use before we'll maintain it for you to ensure its safety?"

What kind of reduction in your maintenance costs can you achieve? It would seem to me to be almost zero. We're talking steel on the ground here.

**Mr. Sean Finn:** You're talking about a switch that has to be maintained. The delisted branch line would be something different, but let's talk about the 13 that are still there today. We have no choice but to maintain them at a level where we're sure we can put a rail car into the line without any impact.

More importantly, I repeat, these switches are on our main line. We have trains circulating at 40 or 50 miles an hour with 100 boxcars behind them, with products going coast to coast across Canada. We have to make sure this switch is maintained at the highest level.

**Mr. Francis Valeriote:** What's the cost to stop the need to maintain it?

**Mr. Sean Finn:** It comes down to what we call spiking the switch, so it can't be reopened, which is not that expensive, but you still have to inspect the switch once a week. Because if for some reason that spike were to come out and that switch were to be open in a reverse position, and you have a freight train going down that line at 50 miles an hour, it's going to derail.

**Mr. Francis Valeriote:** Okay, so what does it take to look at a spike? Tell me. I want to know.

**Mr. Sean Finn:** It's more than a spike. It's inspecting the branch line itself and inspecting the line. So if it remains open—I'll respond to your question—we can't stop at the switch. If it's listed, we have to go into the branch line and inspect it. So that's your question. We've already told you that it's between \$8,000 to \$12,000 a year to maintain the switch and also have the branch line accessible, i.e., snow removal and maintenance. Now I can't give you the exact number, but it requires—

• (1640)

**Mr. Francis Valeriote:** Well, I'd like you to give me the exact number. I'd like you to undertake that, because I want to know the whole process. I have to tell you that you're making what I believe is not a complicated thing sound complicated for the sake of your argument. That's how I'm feeling right now.

**Mr. Sean Finn:** With all due respect, it's also about mitigating our risks so that we don't have a very unfortunate derailment of a freight train in the middle of the Prairies. That's just as important. I appreciate that service to customers is important, but that also has to be practice number one: making sure we have safe operations across the system.

**Mr. Francis Valeriote:** I have a final question arising from what the chairman asked you. Are you prepared to enter into a protocol with these fellows where it is more easily established how much grain got put on and how much grain got taken off, so that they're not having to run around getting affidavits or hiring a lawyer to establish their case?

Are you prepared to do that? Are you prepared to talk to them about establishing a protocol to achieve that?

**Mr. Sean Finn:** We have a claims process today at CN where—

**Mr. Francis Valeriote:** Are you prepared—

**Mr. Sean Finn:** The answer is that we have protocols today to respond to customers' claims—

**Mr. Francis Valeriote:** But they're not working.

**Mr. Sean Finn:** Well, we'll check into that. If it's anecdotal, it's one issue, but today when customers have complaints about a product being lost or damaged, these people report to me, so I can tell you that today we have people who deal with claims. I will check tomorrow morning to ensure that we have some process—

**Mr. Francis Valeriote:** Mr. Finn, I've asked you a question. Are you prepared to talk to these fellows about a new protocol that is more easily put to use and more effectively maintained?

**Mr. Sean Finn:** My answer is that I'll ensure that we have a protocol today that respects the right of a shipper to get indemnified for a loss of product. That's the answer. That's what it is today.

**Mr. Francis Valeriote:** Okay.

I have no more questions.

**The Chair:** Thank you very much.

We now move to Mr. Storseth for five minutes.

**Mr. Brian Storseth:** Thank you very much, Mr. Chairman.

I have to say that this is not the first time I've dealt with the railways on some of these issues. I did that on the transport committee. I'm happy to see the change in safety attitude that has now come upon CN, because I have to tell you we just about had to subpoena CN and CP to show up to talk about the safety and the number of derailments we were having two years ago.

Getting CN to come to our committee meeting wasn't that easy. I can't imagine what it's like for local mayors and reeves to get CN representatives to come out. Actually I can, because I've talked to several of them who have been very frustrated with the fact that you make this process of keeping your rail lines intact and your loading sites intact sound so easy. I have farmers struggling to try to deal with CN and offering to pay for these sites. They can't even get through your level of bureaucracy to talk to anybody who's willing to make a decision on these things.

One of the things that the member from Peace River and I undertook to do is to go around and talk to community representatives from some of these places that you are proposing to shut down. When you take a look at them, the biggest complaint in their community is the level of service and the level of maintenance on these sites that are currently existing.

I can't believe that you're telling me that in Westlock, Alberta you're spending \$12,000 a month to service that site, because you certainly don't ever cut the grass at that site, and it's pretty tough to walk the line, from what I've seen. It's pretty hard for farmers to want to use these sites when you see the conditions that oftentimes they are left in.

I do want to get to some more productive questions, though. You talk about the fact that very few producer cars are being loaded through these sites, yet it is nearly impossible from what I understand—and correct me if I am wrong on this—for a producer, as Mr. Goff has said, to load non-board product with you. At the end of the day, the non-board product, at least in my part of the Prairies, has been an increasing amount of what is being produced.

So you have a product that really should be an opportunity for you to have more service, more cars going through, which would mean more profit for you, and somehow these farmers are coming to me and saying that they just can't get non-board grains onto producer cars.

• (1645)

**Mr. Jean-Jacques Ruest:** As it relates to board or non-board grains, we would fill both orders whether it's barley or wheat, whether it's board grain or non-board grain. We provide the equipment for the grain that needs to be shipped.

What grain would be loaded in producer cars is really more of a matter of the grain company and the producer as to what they are selling and which site they are using, but we certainly do transportation for all of these different commodities.

**Mr. Brian Storseth:** The other issue that I did take a little umbrage at is when you told my colleague that the level of service provided by CN is irrelevant to the issue of producer car loading sites. I think it is actually very relevant to the fact, because most of these guys can't afford the costs and penalties if your car happens to actually show up on time and they're late. On the other hand, they also can't afford to be paying people to wait there, sometimes for a day or two days, for your car to show up. The level of service that we have experienced in our area of the Prairies has been atrocious. This is something that is being fleshed out right now through the level of service review.

But I can tell you through my review of the shippers' bill of rights we implemented two years ago that it was very disheartening to talk to a lot of these guys who are trying to make a living. The costs are always pushed back down on top of them. As Mr. Valeriote said, this is one of the few issues about which the Wheat Board can come in front of our committee and we don't have any questions for them on this side, because the level of service is very germane to the topic.

Keeping these sites open is not just a matter of running a gas station, a coffee shop, or a doughnut shop. This is not only a part of our national heritage; this is a part of a national transportation system that has been privatized, and you have people on this side of the aisle who firmly believe in that kind of thing doubting whether the right thing was done when it came to our railways.

At the end of the day, there are many questions I'd like to see some answers for. I'd like to see some clarification as to the actual costs that you guys are incurring. I would actually like to see it on all the

sites that you are proposing to close, because, looking at this list, I highly doubt that you're spending \$12,000 a year on some of these sites.

One of the other questions I have for you is the issue of the 29 stations. Do you have a map or something so we can see the 29 stations that are producing this 80%? What I understand from the argument is that this is where you are eventually trying to get to: running only those 29 most profitable stations. Otherwise, why can't you use the same argument to shut down all the rest of them?

**Mr. Jean-Jacques Ruest:** No, it is not our intent to distill down to 29 stations. I don't have a map of the 29 stations, but I think the Wheat Board has the same statistics on where these cars have been loaded, the 8,200 on CN.

We don't have any intention at all of getting out of the producer car loading business. This business has been growing. It's been growing, with ebbs and flows. Lately it has been growing more than in the past, and I would imagine that the trend may increase in the future. But the fact is that it's also been growing in a few sites. Producers, by choice, probably according to transportation costs or whatever other choice they make, are using a certain number of sites that may be well equipped and are close enough. By choice, they use these sites. Others don't get used.

**Mr. Brian Storseth:** Well, I can tell you that if you get your way, northeastern Alberta won't be a growing spot for you, because you will have shut down pretty much every single site in northeastern and north-central Alberta.

**The Chair:** Your time has expired, Mr. Storseth. Thank you.

Mr. Bellavance, for five minutes.

[Translation]

**Mr. André Bellavance:** I would like to go back to CN.

So 13 stations could remain open. Has a final decision been made?

**Mr. Sean Finn:** We will publish the notice on November 1 so that all of the 53 stations are on the same schedule. That said, you have to understand that, as of today, 40 of the 53 stations can no longer remain open because cars can no longer be ordered. But the switches are still there and will be there on December 31. They will probably be there on January 15, and very likely will be there for the winter. Here is the issue: we want people who have not used these 53 stations for two or three years to sit down with us and tell us whether they are interested in having the 13 remain open and the 40 others put back on the list. We want to hear business plans that would allow us to supply the location with cars for one or two years.

I want to be very clear: as it stands today, cars can no longer be ordered, but the infrastructure, switches and tracks are still there. We will not stop before December 31. If, over the course of the next few weeks, even up to December 15, somebody can show us a business plan to load 22 cars next year, we will sit down in good faith and negotiate an agreement to get those 22 cars loaded.

• (1650)

**Mr. André Bellavance:** I assume that any decision you make is based on an exhaustive study of all of your sites. At some stage, you made a decision and decide to close 53 of them. You only have to give 60 days' notice and to inform Transport Canada of your decision. The department does not even have to support your decision. I get the impression that it was afterwards, when there was pressure, not just from users, but from politicians, that you decided to say that you are open to negotiating and studying business plans. I get the impression that this is happening only because you heard alarm bells ringing.

**Mr. Sean Finn:** Mr. Bellavance, we...

**Mr. André Bellavance:** Do you have a definite plan for the future? We are discussing 53 stations today, but are there others that you plan to close?

**Mr. Sean Finn:** The 53 sites in question are stations that are not being used. Forty-two had not been used for more than two years, and 39 had not been used for three years. This is not a spur-of-the-moment decision. One of the criteria is site use. Do people order cars for these stations?

Once more, I would repeat, and, as a Quebecker, you will surely appreciate this... I am sure you are aware that a train was derailed last year in Montmagny due to a switch. The switch had been maintained, but it had unfortunately broken. If there is no service and no cars ordered, it is important for us to know if a switch has to be maintained. That is our way of managing risk. I want to be very clear: for all 53 sites, we did the work and we published the notice in the newspapers, but we also talked to the communities. We told them that the sites were not being used, and asked them if they knew anybody who wanted to load cars there. The answer was no. We decided to wait 60 to 90 days in case people showed an interest.

Once again, if, tomorrow morning, somebody wants to negotiate with us in good faith about these sites, we will sit down with them and we will not remove the switches on January 1 if negotiations are under way. We continually look at our sites to ensure that they are both viable and safe. Railway workers know that it is risky to keep a switch that has not been used for two years on a main line. We have to manage this risk so that cars do not derail. You have to understand that if a switch is not used for two years and a 100-car freight train derailed, it could cost millions of dollars. And the dangers for the environment and the surrounding communities are no laughing matter.

**Mr. André Bellavance:** What I am wondering, and what I am going to ask you, is the following: if you have a definite usage plan for the car loading stations, why were the communities not consulted before the decision was made, instead of seemingly allowing it to take them by surprise?

That is what the witnesses have told us in their testimony. People have told us that they are being "railroaded"; they are told that you are done, you have shut up shop and they can no longer use these stations. That is why they are lobbying to change the situation. As their service provider, can you explain why you do not have longer discussions with communities and users?

**Mr. Sean Finn:** I repeat that we are not reacting to political pressure. We provided the notice, we spoke to the communities, and

after 45 or 60 days, nobody had contacted us to say that there was a problem or to express their dissent.

We could debate whether the notice is an effective tool or not. The people who issued the notice work for me at CN. I was told that they contacted the communities, but perhaps we could have done better. One can always do better, and so I will commit today to ensuring better communication with communities.

That being said, no cars had been loaded at the station for two years. We contacted the mayor to tell him that we wanted to close it, and he asked us what we wanted him to do. We explained that if we found somebody who wanted to load cars, we could keep the station open. But the mayor said that he did not know of anybody and could not help us.

Look, if Mr. Goff is saying that there are people willing to negotiate, I can assure you that I will follow up on this to find out who they are. We will sit down with them. Our business is transporting freight, not closing stations, but we need freight to transport. Without it, we still have to maintain our stations, and, at that point, we run into issues of risk management and rail safety.

**Mr. André Bellavance:** Mr. Goff, could...

[English]

**The Chair:** Thank you.

You're out of time, Mr. Bellavance.

Mr. Richards, for five minutes.

**Mr. Blake Richards (Wild Rose, CPC):** Thank you, Mr. Chairman.

I appreciate all of you being here today.

I want to start with a few comments on the Wheat Board's comments today, because I found them quite interesting. It certainly isn't that I don't appreciate their support on this particular issue. However, I was a little surprised to hear these types of comments from the Wheat Board: comments on putting money in farmers' pockets by introducing an important element of competition; comments about transparency and being transparent; comments about the availability of options and the access to options; and most significantly, there was a comment that "many producers feel that the ability to ship their own grain by producer car is an important tool in their grain marketing toolbox".

Given the Wheat Board's track record as far as allowing farmers to sell their own grain is concerned, I find those comments actually quite hypocritical. When I hear about things like transparency, giving access to options, introducing competition, and giving farmers the ability to make their own choices, I would certainly want to say to the Wheat Board that I think what's good for the goose is good for the gander, and the Wheat Board should keep that in mind.

However, we do have an issue here today that we agree on and I certainly appreciate your support on that. I want to highlight a couple of the very strong points that you've raised. I'd like to address those towards our folks from the railway. I'd like to hear your comments and your feedback on these particular points.



There are points I want to centre on in the Wheat Board's comments.

Number one is talking about the delisting of sites and how that would be done without any assurance that the freight rates, which would reflect the lower cost structure the railways hope to enjoy, would be passed along. So they are being delisted without any assurance that this would be passed along.

Also, a study done in 2007 by rail expert John Edsforth found that railways were overcharging producers for grain transportation to the tune of \$100 million annually. I want to hear your comments and feedback on that particular statement.

• (1655)

**Mr. Jean-Jacques Ruest:** On the pricing, we do all the pricing annually under the grain cap. That's what we follow. Every year we do the pricing under the formula. The formula has actually been revisited twice in the last 30 months. With a price decrease this year, the rates are, on average, about 7% lower than the year before. Also, when we went through the discussion and debate about the maintenance of the hopper cars, there was also a 7% reduction at that time, which, in the case of CN, was about \$30 million.

The pricing of all moving of grain freight is regulated and it falls under the revenue cap. We file a report every year on all the movement we do—the tonnage, the mileage—and if we exceed the cap by some amount, we pay the penalty.

**Mr. Blake Richards:** I'd also like a comment about the concern with the delisting. You're saying there are cost-saving measures for you. Are those cost savings going to be passed on?

**Mr. Jean-Jacques Ruest:** The revenue cap is not a cost formula; it's a revenue formula. As we had pleaded in our case when the hopper car maintenance case was made, in our view grain is moving at a very reasonable freight rate in Canada right now.

These freight rates, following the two recent price reductions, make this business the least profitable of all our business. These rates, in relation to their costs, are very competitive, to the point that we want to be sure that freight rates for grain remain sustainable so we can reinvest. We want to keep that in mind.

**Mr. Blake Richards:** Let me switch gears a bit—

**Mr. Jean-Jacques Ruest:** The freight rates are not based on cost; they are based on the revenue cap. The revenue cap is a combination of mileage and tonnage. The revenue cap has been reduced twice already. That business is the least profitable business for the railroad right now in Canada.

**Mr. Blake Richards:** Let me switch gears a bit. I want to talk a little about consultation. Certainly I think all of us in this room can appreciate the need for consultation. Certainly there was a point made by the Wheat Board, which I also fully support here, and that is in relation to notification. I know that many producers want that option. They want the option in order to be able choose how they sell and they want the option to be able to choose how they sell.

In this particular instance, we're talking about the shipping and certainly about how producers are not being afforded the same kind of consultation that there is surrounding urban rail sidings, where there is a requirement for a twelve-month notification period prior to the elimination of a siding in an urban area. I wanted to hear some

comments on that and whether you would agree with that kind of change. I'd certainly like to see far more consultation with producers when changes like this are made. They may not necessarily be using the service at all times, but they certainly need that option. To be consulted about that before something like this is decided is very important.

• (1700)

**Mr. Sean Finn:** We can always do a better job in consulting. I'll be very sure about that. For example, there are 13 sites that remain to be listed. We decided we're not going to publish it in some weekly paper. It's going to be in one of the national papers, so it won't be once a week that it will be seen. So that's one issue.

I can say to you today that I was personally involved in ensuring, post the announcement, that there would be consultation. I and my colleagues still push today to make sure that we know what we're going on. I'm not going to comment on the delay. That's the question of the law as it is drafted today. We don't limit ourselves to putting a notice in the paper and hoping that nobody will call us. We did go out and attempt to get people's attention. Did we do a great job? We probably didn't. Can we do better? Absolutely. Will we? Yes, I commit to do so today.

You talk about branch lines that haven't been used for two or three years. And the 60 days...I appreciate in some parts of the season it's a bad time for western Canadian farmers. We will ensure again that as we get these notices coming forward we will reach out to the communities. If we have to, we'll have meetings in the community to talk to people and say, "What is going on? What do you want to do here?" Ultimately, we're looking at two things. The first one is ensuring that the branch lines are used. The second one, I repeat, is a question of risk mitigation, risk management to ensure that if a switch is there and it hasn't been used for two years, that it is being maintained. We don't want to have a very unfortunate incident because of the fact that a switch has been there, it hasn't been used, and we haven't done anything about it.

**The Chair:** Thank you very much to our witnesses.

**Hon. Wayne Easter:** Mr. Chair, I have a point of clarification that Ms. Burr could answer. On my question earlier on the return on capital, I talked to Mr. Hoback and Mr. Storseth. They're of the same opinion as I am. In fact, a vice-president of CN Rail, before the transport committee, indicated that they were assured of a 20% railway cost.

Ms. Burr, under the revenue cap, are the railways assured of a guaranteed return on capital? How does that work? Mr. Ruest and I are both of a different opinion on this. Are the railways assured of a return on capital under the revenue cap?

**Ms. Kristine Burr:** Mr. Chair, I wasn't present at the earlier discussion, but we'll try to answer that question. I'm going to ask Mr. Doran to comment on the question.

**Mr. John Doran (Policy Advisor, Transport Canada, Canadian Transportation Agency):** Mr. Easter, the revenue cap, as you know, is a revenue-based system; it's not a cost-based system. The revenues, as you know, were developed out of the 1992 costing review. Then they were ratcheted back by 18%, and that became enthroned in the legislation as the basis for the revenue cap.

To that each year is added an inflation factor, which covers fuel, capital material. That goes into the formula to produce a revenue cap. So does the revenue cap guarantee a level of profitability? Yes. Is it set by the government? No, because it varies with the length of haul and with the tonnage that is moved. It's worked off the formula that's in the legislation.

**Hon. Wayne Easter:** The original formula had a guaranteed return on capital of 20%.

**Mr. John Doran:** That was an agreed rate.

**Hon. Wayne Easter:** That two-sixths converts into this, so in this formula there is still somehow a guaranteed return on capital plus inflation. Is that correct? On these sidings, that's capital. They're getting a return on them whether they use them or not. That is the fact of the matter.

**The Chair:** We'll let the gentleman finish up.

Is there anything more to add to that?

I thank our witnesses for being here today. As you can all tell, this is a very contentious issue, not just with our producers in western Canada but certainly with committee members all around the table.

Today there were a number of requests for information, from Mr. Hoback and Mr. Storseth, and there might have been someone else. It was Mr. Easter. I hope we can get that sent to the clerk.

Thanks again to all of you for being here. We are going to move to committee business now.

Mr. Lemieux.

• (1705)

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thank you very much, Chair.

Regarding committee business, Mr. Atamanenko asked the committee to consider allowing him to swap his two motions. We have a number of motions in front of the committee. His first motion deals with the AgriFlexibility program. The other one deals with supply management. He asked the committee if we could allow him to swap the two, to move with the supply management motion first, because it's timely, in that WTO discussions are ongoing.

He has to seek unanimous consent. I am putting it in front of the committee now. We would like to support what Mr. Atamanenko was asking for in the last meeting, that he be allowed to swap those two motions so we can discuss supply management.

**The Chair:** Do I have unanimous consent to do that?

**Some hon. members:** Agreed.

**The Chair:** Do you want to speak to that, André?

**Mr. Pierre Lemieux:** I think Alex should speak first on the motion.

**The Chair:** Is there something to add, like if we have unanimous consent?

Is this a point of order on that, André?

[*Translation*]

**Mr. André Bellavance:** No, it is not on the same subject, but as we have just agreed to change Mr. Atamanenko's motion, I wanted to ask for unanimous consent for my motion to be discussed before or immediately after Alex's.

If we finish at 5:30 p.m. without having discussed my motion, we will have a problem. My motion is about inviting a witness for Tuesday's meeting, and Tuesday is our next committee meeting. It is all very well to say that we can discuss my motion on Tuesday, but if we do that, we will not be able to invite the gentleman to appear by video conference on Tuesday. That will not work.

It is a question of timing. That is my problem.

[*English*]

**The Chair:** I believe, Mr. Bellavance, you will get that chance, but we have this one. We will move it, and presumably you can make the request at that point.

Mr. Atamanenko, do you want to present your motion?

Yes.

[*Translation*]

**Mr. André Bellavance:** Do I have unanimous consent to discuss my motion immediately after Alex's?

[*English*]

**The Chair:** Mr. Bellavance, we have one piece of business on there. Let's deal with it. We have unanimous consent. We should finish dealing with one piece of business, and you can bring it up—

[*Translation*]

**Mr. André Bellavance:** Very well, but remember my question when we have finished the discussion.

[*English*]

**The Chair:** You can bring it up then, and we'll deal with it.

Mr. Atamanenko.

**Mr. Alex Atamanenko:** I'll be very quick.

I'd like to thank Pierre for proposing this and talking to me about amending it. However, I'd like to go with my initial motion, and I'll explain why.

The motion reads:

That the Committee recommend the government immediately instruct Canada's negotiator to indicate through the proper channels at the World Trade Organization that the text which undermines or weakens Canada's State Trading Enterprises and Supply Management systems must be removed from the DOHA agreement and that this be reported to the House.

I'll read a very brief paragraph I received from the chief liaison officer of government relations, Ron Davidson, with the Canadian Wheat Board. It touches on state trading enterprises, and I'll show you how it's applicable to supply management:

...the paragraphs that follow elaborate in some detail on why it is critical that the Government of Canada proactively take the initiative and leadership to present and advocate in the WTO its publicly avowed position that decisions pertaining to how Canadian farm products are marketed be taken in Canada, not by other countries.

I know we have the support of the minister on this because he said this.

Time is of the essence, and unless such action is taken on a timely basis at the most senior levels, the right of Canadian farmers to choose how their products are marketed could effectively be conceded, by default, to the unilateral initiative of the former New Zealand chair of the agriculture negotiating group who prepared a draft text that targets solely the Canadian Wheat Board while at the same time exempting the kiwi agriculture exporting state trading enterprise of his own country.

I would like to add that this gentleman is from New Zealand, and they have made it public that they want us to wither down our supply management. It's very important. It has something to do with the way you take it out of brackets so it's just not on the table.

Then we can move on and look at all those other issues that Pierre mentioned—the export subsidies and all of that. It's crucial and timely. It cannot hurt our negotiations if we take that out. That's why I want to leave the motion as it is.

• (1710)

**The Chair:** Thank you.

We don't have an amendment on the table that I'm aware of.

Mr. Lemieux.

**Mr. Pierre Lemieux:** Thank you, Chair.

I think Mr. Atamanenko was just referring to a discussion he and I had the other day regarding an amendment.

First of all, supply management is of paramount importance to Canadians, and I think to people on this committee. Supply management has created jobs, prosperity for Canadians for the past 40 years, and it continues to create prosperity in our rural communities and in our urban centres. Certainly in my riding of Glengarry—Prescott—Russell there is a lot of supply management.

It's not only helping the tens of thousands of Canadian farmers and their farm families, but also suppliers, processors, the food service industry, transporters, basically everybody up and down the value chain, from the farm gate to the consumer plate—and as I say, in my riding, I can certainly give examples of supply management.

There are the five supply managed industries, but I want to just underscore the dairy industry. It's a powerful economic driver. It has delivered \$5 billion in farm gate receipts, 60,000 jobs for Canadians, and \$13 billion in sales to consumers. The sector delivers a consistent supply of safe, high-quality products to consumers. It delivers good value to consumers and a decent return on investment for farmers. When our government supports the dairy sector, we support supply management; and the other way around, when we support supply management, we're supporting our dairy sector.

This message is not lost on our producers, and I want to be clear here that our Conservative government has been very strong in its support for supply management. We have consistently supported supply management, right from day one, and we are delivering what I consider to be real, meaningful results.

For example, I think Mr. Atamanenko and my colleagues will remember that we took action on article XXVIII of the General Agreement on Tariffs and Trade to limit imports of the low-duty milk protein concentrates through the establishment of a new tariff rate quota. This was of great benefit to dairy farmers.

At the World Trade Organization, we continue to promote producer and exporter interests and to strongly defend interests important to supply managed industries.

In addition, our government is committed to the operationalization of the WTO's special agricultural safeguard for supply managed goods. So we're speaking up internationally in support of supply management.

The WTO's special agricultural safeguard permits WTO members to provide enhanced ability for sensitive industries by imposing temporary surtaxes in response to sudden over quota imports surges or significant reductions in over quota import prices. So these special safeguards are a tool that several trading partners, including the European Union, the United States, and Japan, have used on a regular basis, and the supply managed industries have been looking for the government to ensure that Canada is well positioned to exercise this WTO right.

We are also standing up for supply management, including the interests of the dairy industry, at the WTO agricultural negotiations, and Canada has been very clear about its position in Geneva.

This government supports supply management, and we are taking a firm position at the negotiating table on interests important to our supply managed industries.

I have letters from the Minister of Agriculture, the Honourable Gerry Ritz, to His Excellency Crawford Falconer, the New Zealand ambassador to the WTO and the chair of the WTO agricultural negotiations, and I am going to table these letters with the clerk immediately following my presentation. But I would like to read what our minister and our government have said in these letters.

To quote briefly, he said:

As you know, Canada has a system of supply management for certain products (dairy, poultry, eggs). That system has worked very well for those producers, and both those producers and the Government of Canada are resolutely committed to maintaining it.

The approach to sensitive products in your draft text is not one that is acceptable to Canada...

The minister goes on to say:

...with regard to the issue of treatment, you are aware of our long-standing opposition to tariff cuts or tariff quote expansion for sensitive products. I want to reiterate the Government of Canada's commitment to that position. We remain strongly opposed to the approach to treatment [in your outline].

And in another letter to the ambassador, Minister Ritz writes:

Canada has a very strong position with respect to the negotiations on sensitive products. This position is grounded in the very strong support of the Government of Canada for our supply management system. Canada maintains its firm opposition to any tariff cuts or tariff quota expansion for sensitive products. This represents a fundamental element of Canada's negotiating position.

• (1715)

As you can see, the minister has spoken very strongly in support of it, and he's spoken very strongly in a formal way in two written letters supporting supply management.

Our government is also working toward taking down trade barriers at the border. The Canadian dairy industry got a big win when rule 2 came into effect and re-opened the U.S. market to older cattle and breeding stock. That is good news for dairy farmers.

That good news is built on a lot of good hard work done by producer groups and governments, and that good work is reaching well beyond our closest neighbours. Mexico, for example, has resumed imports of Canadian replacement dairy heifers and beef-breeding stock. This trade had been cut off since 2003.

**Hon. Wayne Easter:** How long will this go on? We know it's a political speech for publication.

**The Chair:** Mr. Lemieux has the floor, Mr. Easter, and he is speaking to the motion.

**Mr. Pierre Lemieux:** Thank you, Chair.

Mexico has also agreed to include older animals for export, and they have since lifted the temporary restrictions on breeding stock imports from Alberta. We continue to work on outstanding issues to restore full access for beef and to take advantage of market opportunities for other products. We are also firmly defending Canadian cattle producers regarding the U.S. country-of-origin labelling rule, or COOL. In early December we initiated official consultations with the United States at the WTO's dispute settlement body, further showing our determination in defending Canadian producers, and we have recently announced that Canada is taking the next step in our COOL challenge by launching a WTO panel.

The Prime Minister, Chair, and this government have made it very clear to the Americans that if no settlement could be reached, we would take this issue to the WTO. This trade challenge speaks loudly that this government is serious about protecting our producers and protecting their interests, and that is why we pulled out all the stops to fight the COOL in the United States. COOL threatened our industry, particularly our cattle and hog producers and our meat processors. It threatened to throw red tape and needless costs into a highly integrated system, which last year facilitated almost \$4 billion worth of sales to the United States in livestock, beef, and pork.

Canada's hard work over the past year resulted in a positive outcome for Canadian producers, and producers are with us, Chair. Let me quote from Brad Wildeman of the Canadian Cattlemen's Association, "The negative impact" of the COOL legislation "will only increase", and we appreciate the government "requesting the Dispute Settlement Panel at the WTO." Jurgen Preugschas, of the Canadian Pork Council said, "Our government understands the impact COOL is having on our producers and that they will continue to work with the livestock sector to defend our WTO trade rights."

It is not just our producers. It is also our provincial and territorial partners. Bob Bjornerud, Saskatchewan's agriculture minister, says this: "These blatantly protectionist measures are placing an unwarranted burden on Canadian livestock producers", and "we are pleased the federal government has made the WTO request to address this".

Indeed, Chair, we will continue to stand up for our producers whenever and wherever their access to markets is in jeopardy.

Turning to the domestic front, there are lots of examples of this government's support for the dairy sector and for supply management, beginning with our action to clarify and harmonize compositional standards for cheese. These regulations ensure that the expectations of Canadian consumers are met with high-quality products. The Federal Court recently sided with us and ruled that our protection of supply management through cheese compositional standards is constitutional and the right thing to do.

The bottom line is this government is supporting our dairy sector through actions internationally and domestically, and it is supporting supply management. We are supporting them in what they do best, and that is providing safe, wholesome, nutritious products for all of us to enjoy.

However, don't take my word for it. Perhaps the best advocates of what we have done for supply management come from the dairy, chicken, turkey, and egg producers themselves. Jacques Laforge, president of the Dairy Farmers of Canada, said, "The Canadian government, over the past two years, has repeatedly indicated its strong commitment to support" trade agreements on agriculture that would maintain supply management.

Gyslain Loyer, chair of the Canadian Broiler Hatching Egg Marketing Agency, says, "We are encouraged to see that the government is unwavering in its determination to deliver on its position for dairy, poultry and egg farmers...".

Laurent Souigny, chair of the Egg Farmers of Canada, who lives in my riding, Chair, said, "The Government has committed not to compromise the sound foundations of the Canadian agricultural economy, including supply management...".

Chair, I just want to highlight for Canadians, for our farmers, for our producers, for the people here at committee, it is obvious our government supports supply management.

What I find unfortunate about the wording of Mr. Atamanenko's motion is that it does not capture our full support for supply management. The motion simply asks us to change text at the WTO and no more than that, and everyone here knows this is not the way to proceed. We need to be proactive in our support for supply management, and if the committee so desires, we should send a strong message to the negotiator and not just focus on this little piece of text. He should be getting some strong guidance from this committee. We simply can't just show up and ask for text to be changed, and if that doesn't happen say we'll move on. It's not only that the members opposite treat the issue of supply management lightly; it's that they need to acknowledge our support for export industries like beef and pork, industries I spoke about earlier, and the positive steps we are taking through the WTO process.

• (1720)

So, Chair, what I'm proposing here is an amendment that I discussed with some opposition members yesterday, and certainly Mr. Atamanenko, to amend the latter's motion. I'm going to put forward an amendment here, Chair, that I think better enunciates the message this committee wants to send to our negotiator regarding our support for supply management, but also for our other producers. We want to support all producers regardless of the commodities they happen to deal in.

**The Chair:** Certainly.

Do you want to read the amendment?

**Mr. Pierre Lemieux:** Yes, I will read it, Chair.

I would put forward that Mr. Atamanenko's motion be amended by deleting all the words after "indicate" and replacing them with:

to the World Trade Organization that Canada will continue our strong support for supply-managed sectors and that any decisions regarding the future of Canada's state trading enterprises will be made domestically and that Canada will continue to push for new opportunities for Canadian agricultural exporters by advocating the elimination of export subsidies and removal of trade barriers.

Chair, just to recap, the fully amended motion would read:

That the Committee recommend the government immediately instruct Canada's negotiator to indicate to the World Trade Organization that Canada will continue our strong support for supply-managed sectors and that any decisions regarding the future of Canada's state trading enterprises will be made domestically and that Canada will continue to push for new opportunities for Canadian agricultural exports by advocating the elimination of export subsidies and their removal of trade barriers.

I thank you, Chair, for your attention and my fellow members for their attention. I believe this amendment actually better reflects the support we all have on the agricultural committee for all of our producers. Yes, we all support supply management, absolutely. As I said in my riding, supply management is very strong. But my amendment actually moves forward and also expresses support for our other producers.

Thank you, Chair.

**The Chair:** Okay. You've heard the amendment.

Mr. Easter, you're next on the list.

**Hon. Wayne Easter:** Just quickly, I'll not go into great detail, Mr. Chair, but... No, it's not going to be a speech. We heard a speech. We don't have a whole lot of time.

I would just say that we differ strenuously with the parliamentary secretary's remarks as he attempts to cover Minister Ritz's record of failure when it comes to supporting farmers in Canada. The parliamentary secretary talked extensively about COOL, country-of-origin labelling, and while we do agree with the challenge at the WTO, we very much regret that the government has failed to do anything for beef producers and hog producers in the meantime, other than provide a loan and drive them further into debt when they're already very far into debt as it is.

So basically, while the Government of Canada dilly-dallies around, we'll wait for however long it takes for the WTO to make a decision in country-of-origin labelling, in the meantime bleeding producers away from the industry while the Americans will continue to drive production into Canada. We're seeing a decline in the hog industry and the beef industry in terms of cow-calf operators and slaughter-cattle operators. Our market into the United States is down somewhere around 50%, 60%, I believe, in pork. It's down in slaughter cattle and it's down in calves and feeders. Yet the Americans continue to export the product here.

The second point of the hog program, which is getting people out of the industry, is actually quite terrible because it sets up an auction system, a tender system, whereby hog producers bid against each other for who will sell out the lowest. That's not exactly a way of providing income to producers or getting out of the industry with dignity. Whichever producer has the lowest bid will be the one that gets a little slice of the \$75 million from the Government of Canada.

The last point I'll make is on the beef and hog loans, especially the hog loans that the government announced. I maintain it's probably one of the best Ponzi schemes ever dreamed up. Who gets paid out of these loans? The first condition to get a loan.... You go to the bank and you get a government guarantee. This is no joking matter, guys. Producers are calling every day going broke. It's no joking matter. We're hearing them in droves. And there's a lot of criticism of the Canadian Pork Council as a result as well.

But what happens? You go and get a guaranteed loan at the bank, and then—

• (1725)

**Mr. Brian Storseth:** On a point of order, Mr. Chair, it's one thing for him to be partisan, and it's okay that he's wrong, but then to attack the Canadian Pork Council, because they represent these same producers and they just happen to have a different opinion from Mr. Easter's, is not acceptable.

**Mr. Pierre Lemieux:** Wayne knows better.

**The Chair:** Go to your last point, Mr. Easter.

**Hon. Wayne Easter:** Let me be very clear. I think the leadership in this country...some of the farm organizations, because of the intimidation tactics of the Government of Canada, fear that they might not get in the door.... It's a serious problem in this country. But anyway, on to the Ponzi scheme, Mr. Chair.

When you get a guaranteed loan from the Government of Canada, what's the first condition? You must pay off the Government of Canada's APP loan. In other words, the Government of Canada has set up a system in which Treasury Board and the Department of Finance get paid and farmers are left with increased debt to the banks of this country, albeit guaranteed by the Government of Canada. Now, if that's not a Ponzi scheme, I've never seen one before.

This is the last point I'll make, Mr. Chair. It relates to what the parliamentary secretary claims to be support for supply management. The proof was in the pudding last summer. The Government of Canada could have objected to the text at WTO that would have dismantled supply management—undermined it and undermined the Canadian Wheat Board. But did the government object? No, they did not. So I would submit to the parliamentary secretary that the words he states are fine, but the actions by the Government of Canada go to my original point that when it comes to this government and this minister, as it relates to primary producers and support for that industry, it's a record of absolute failure.

• (1730)

**The Chair:** Gentlemen, I have four other speakers on the list. I'm going to suggest, because of the time.... I know that I have a plane to catch and I think Mr. Eyking does and a few others.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** No, I've got lots of time.

**The Chair:** Well, then you're going to be taking the chair in a few minutes.

But anyway, I would suggest that we call the vote and have no more speakers. Is everyone in agreement?

**Some hon. members:** Agreed.

**Mr. Pierre Lemieux:** A recorded vote, Chair.

**The Chair:** A recorded vote. I'll ask the clerk

(Amendment negatived: nays 6; yeas 5)

(Motion agreed to: yeas 6; abstentions 5)

**The Chair:** Seeing as we have the time, André, I'm going to allow you to make your request.

[*Translation*]

**Mr. André Bellavance:** I want to be able to discuss my motion. It should not take us half an hour. I would like to invite Mr. De Schutter to appear by teleconference next Tuesday, October 27. I would like to give the clerk time to contact his office and make the request. So we need to discuss it straight away.

[*English*]

**The Chair:** I think everybody knows the intent. Do we have unanimous consent to deal with André's motion?

**Some hon. members:** Yes.

**The Chair:** Yes? No?

**An hon. member:** [*Inaudible—Editor*]...witness.

[*Translation*]

**Mr. André Bellavance:** I am going to tell Mr. De Schutter that.

[*English*]

**Mr. Pierre Lemieux:** I spoke to André about this before, about working as a team.

**An hon. member:** Are you trying to cut side deals?

[*Translation*]

**Mr. André Bellavance:** I will not be blackmailed.

[*English*]

**The Chair:** The meeting is adjourned until next Tuesday.









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