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Chair

The Honourable Roger Gallaway

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• (1535)

[English]

The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.)): I ask that this meeting come to order.

Before we continue with our study on hopper cars, we have two motions for consideration by the committee. I apologize to Mr. Davies and to Mr. Wagner, but we'll hopefully only be a few minutes in dealing with this committee business.

We had received, I think at the last meeting, notice of an appointment of a chief executive officer of VIA Rail. As colleagues will know, the minister, when he appeared, invited the committee to examine the appointment of this Mr. Paul Côté.

I know Ms. St-Hilaire has a motion to ask the committee to invite Mr. Côté to appear before the committee. He apparently is available to come on Wednesday, February 16, and the clerk has prepared a motion to the effect that we invite the new—and he's not yet the new, I must point that out, he's the proposed new—chief executive officer of VIA Rail, Mr. Paul Côté, to appear before this committee on February 16.

It's moved by Ms. St-Hilaire.

Is there any discussion, or are there any questions?

(Motion agreed to)

The Chair: Second, we have a motion, notice of which was given at our last meeting by Ms. Desjarlais. The 48-hour notice was given.

Ms. Desjarlais, do you want to speak to this motion?

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

I recognize that at the time of the appointment of Mr. Walsh to the Transportation Safety Board the committee would have had the opportunity to have him come before us, but at that point in time it didn't happen. However, in light of what took place over December in regard to a possible conflict involving Mr. Walsh, and recognizing that it's outside the committee's mandate now to have him appear before us, I think at the very least what we should do as a committee is send a letter to the Prime Minister asking him to reconsider Mr. Walsh's appointment.

The Chair: Are there any other comments, or shall I call the vote?

Madame St-Hilaire.

[Translation]

Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ): Yes, I do have some questions, because I was not on the Transport committee at the time. I'd like to know why Ms. Desjarlais says that the time has expired for the committee.

[English]

The Chair: Ms. Desjarlais.

Mrs. Bev Desjarlais: There's a period of time—and I'm sure the clerk could give the exact, specific timeframes—in which a committee can review appointments made. My understanding is that time has expired. The clerk can fill you in on the exact specifics.

The Chair: It's within 30 days of an appointment. I can't recall the precise timeframe, although I have been through it before, but essentially this appointment was made in October, the 30 days having expired long before this committee even was constituted.

Yes, Madame St-Hilaire.

[Translation]

Ms. Caroline St-Hilaire: I have another question. I was wondering if we could put off voting on this motion for now, because apparently Mr. Walsh is before the Ethics Commissioner at this moment. I don't know if anything will come of this, but would there be a problem if we were to delay the vote on the motion?

[English]

The Chair: Mr. Scarpaleggia.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): I would agree, Mr. Chair, with Madame St-Hilaire. I believe as well that the situation is before the Ethics Commissioner. Why don't we allow that process to play itself out before taking action?

The Chair: Go ahead, Ms. Desjarlais.

Mrs. Bev Desjarlais: In this case I would not necessarily agree to that, Mr. Chair, because from what we've heard, at least through the media, it would appear that Mr. Walsh was given some indication this wasn't a smart move on his part and went ahead and did it anyway. I think at this point in time, hearing from the Ethics Commissioner is like strike one, strike two.

I think what's really called to attention here is the Prime Minister's credibility as well. There has been a statement that business is going to be done differently, that we're not going to have the patronage kinds of appointments going on, that we're going to do business differently. We are going to show Canadians that it's a new way of doing things. We're going to be responsible. What I'm talking about here is a letter to the Prime Minister, and then for the Prime Minister to take action.

The Chair: Mr. Scarpaleggia and then Ms. St-Hilaire—I'm sorry, I'm a little blind today. We'll allow Mr. Gouk to go.

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

Mr. Chairman, I support this motion, notwithstanding the comments of the Liberal member across the way. If the motion simply said “breach of ethics, therefore”, then there might be some credibility in the concept of saying to wait and see if it was a breach of ethics or not, because that's what's in question.

This goes further than that. Even without the question of ethics, which may still very well be there, it doesn't alter the fact that this is not the kind of transparent appointment the minister had promised. We have not had the opportunity to meet with this particular individual with regard to the appointment. As we just finished discussing that we're going to be doing it with the potential appointee to VIA Rail, I think it is appropriate that he be removed from this board. If the minister still at that point wants that person on the board, at that time he could then talk about going through the process again, but this time through the committee.

In the meantime you'll get an answer from the Ethics Commissioner. We'll have that report at our disposal when we meet with this individual, and we can deal with the question before the committee.

The Chair: Mr. Scarpaleggia and then Madame St-Hilaire.

Mr. Francis Scarpaleggia: I have two points, Mr. Chair.

Respectfully, I point out that Madam Desjarlais said it appears that there's been some breach of ethics. I don't know; I didn't see Mr. Walsh at the Christmas party. I wouldn't even know what he looks like, to be honest. But the operative word is “appears”. I think we have to go beyond appearances and make decisions based on some kind of fact.

In response to Mr. Gouk, I'd say we presumably did not see Mr. Walsh before this committee. I don't know if every government appointee has appeared before the respective committee. If we were to ask—

• (1540)

Mr. Jim Gouk: It's the opportunity. They don't all appear, but it's about the opportunity for us to have them appear because we've had notice, and that didn't occur in this case.

Mr. Francis Scarpaleggia: I couldn't say. I'm not familiar with whether notice was given, but by implication, if this has occurred in other committees with respect to other appointments, we'd have to ask for a rash of resignations.

So I don't know. I understand the spirit of Madam Desjarlais' motion, but I wonder if we're being airtight in our logic here, that's all.

The Chair: Madame St-Hilaire and then Ms. Desjarlais.

[Translation]

Ms. Caroline St-Hilaire: My comment is somewhat similar. I feel a little uncomfortable passing judgment without knowing all the facts. I understand what my colleague is saying. Either we invite Mr. Walsh to appear before the committee further to the events that transpired or—and this is my suggestion—we wait until the last

minute, that is until next Monday or Wednesday, to see what the results are. For the time being, in light of the wording of the motion, I feel somewhat uncomfortable about proceeding further.

[English]

The Chair: Ms. Desjarlais.

Mrs. Bev Desjarlais: There's no question that what we're dealing with here is a situation of who was at the party and who saw Mr. Walsh, including the media who reported it. My understanding from what I've read as to Mr. Walsh's comments is that he did not deny any of those things. I say it's a breach of ethics purely because each and every time we seem to have a question about it, the government, specifically the President of the Treasury Board and the Prime Minister, seems to change the dynamics of what the ethics were, and I think that is a serious issue. At the start of a new Parliament we want to show Canadians there is transparency.

Now, you know I've given some background notes. Obviously I wasn't at the party, but it would appear that Mr. Walsh was sitting with the Prime Minister. My guess is that if you saw him sitting at the table, one of those other persons there would have been Mr. Walsh.

The letter is for the Prime Minister to take steps. If the Prime Minister chooses not to take those steps, that's certainly his—

The Chair: Now, we can carry on debating this. I just want to see if I can reflect what's been said, and that is that Madame St-Hilaire and Mr. Scarpaleggia have indicated a desire to defer it—that is, to table this for today—to some future date. If they wish to do so, that motion can be moved and we can have a vote on that, or we can carry on with this debate on the merits of Ms. Desjarlais' motion.

So I'm going to suggest, just as a procedural point, that if you are so inclined, you might move that motion, that is, to table it. That's not debatable. I'll put that question. If it passes, fine. If it's defeated, we'll carry on further.

Mr. Jim Gouk: On a point of order, if that is the direction we choose to go in, can we put some kind of time limit on it rather than leave it open-ended? If we wait until the Ethics Commissioner reports, and he gets bogged down, who knows? This could go on and on.

Can we bring it back to the table in, say, 60 days if there's no report from the Ethics Commissioner?

The Chair: I think it's prudent that there be a time set, if we're going to table it, if that's the wish and will of the committee. In the dead language known as Latin, it's called adjournment *sine die*. We would want to impose a date, I would think.

I'm in your hands.

Mr. Francis Scarpaleggia: I just want to assure Madam Desjarlais that I'm very much in favour of full transparency on all issues before us. I just have a concern for due process and prudence.

I don't know if this is the way to do it, Mr. Chair, as I've never done this before, but I would propose a motion that we defer for a certain number of days, in line with what Mr. Gouk suggested.

The Chair: So you want to table this motion and you want to specify a time period.

Mr. Francis Scarpaleggia: Yes, I would like to do that.

Mr. Jim Gouk: Perhaps we can ask Ms. Desjarlais what would be suitable for her if we were to proceed in this manner.

• (1545)

Mrs. Bev Desjarlais: As soon as the Ethics Commissioner makes his appointment, I would suggest, or within 30 days, whichever comes first.

The Chair: So it would be tabled until such time as the earlier ruling by the Ethics Commissioner or the expiration of 30 days. Is that what I hear?

Mrs. Bev Desjarlais: Yes.

The Chair: All right.

Mr. Scarpaleggia, is that your motion?

Mr. Francis Scarpaleggia: Yes.

The Chair: All right.

(Motion agreed to)

The Chair: So that is the end of that.

Mr. Bonin.

Mr. Raymond Bonin (Nickel Belt, Lib.): Mr. Chairman, every time we come to a meeting we seem to discuss things that are not on the agenda. This was not on the agenda.

Mr. Jim Gouk: Actually, it was.

The Chair: It was.

Mr. Raymond Bonin: I have the agenda in front of me.

Mr. Jim Gouk: Maybe it wasn't on the agenda, but there was a notice of motion at a previous meeting.

The Chair: Hang on. If you look at—

Mr. Raymond Bonin: There was a notice of motion, but it's not on the agenda.

The Chair: Just one moment, please.

Notice was given at the last meeting. That was clear. If you look at item 3, under "Committee Business", it says, at the very bottom, "Motion from Bev Desjarlais".

Mr. Raymond Bonin: Yes.

The Chair: That's what we just dealt with.

Mr. Raymond Bonin: That's not the agenda.

The Chair: Well, the committee agreed that it would be the agenda.

Mr. Raymond Bonin: That's fine, but I would like to suggest that when we have issues we'll be discussing at the meeting, it be on the agenda. We prepare our meetings according to what is on the agenda.

Mr. Jim Gouk: This is the agenda, and there it is.

The Chair: Let's not have a debate right here.

It's on the agenda. The committee agreed, before you arrived, that this was the order we'd proceed in, and that we'd dispose of that business.

Mr. Raymond Bonin: In spite of everyone correcting me, the agenda says from 3:30 to 4:30 it's the Farmer-Industry Partnership, and from 4:30 to 5:30 it's the Farmer Rail Car Coalition; meeting over.

I'd just like us to have an agenda that reflects what we'll be discussing so that we can prepare for our meeting, that's all.

The Chair: All right. That's a point taken.

We will now proceed to our witnesses, who apparently are on our agenda.

We'd like to first welcome, from the Farmer-Industry Partnership, Mr. Wagner and Mr. Davies.

We'll be generous with your time, but I do hope you've been warned that we ask you to limit your opening statement to 10 minutes, in accordance with the general practice of this committee.

Mr. Albert Wagner (Past President - Western Barley Growers Association, Farmer-Industry Partnership): Thank you. We were enjoying your debate.

I'm Albert Wagner. I'm a farmer in west-central Alberta, west of Edmonton. I'm a cow-calf producer and a grain producer, and I'm also past president of the Western Barley Growers Association.

I have with me Rob Davies, who is CEO of Weyburn Inland Terminal. He's also on the board of directors of the Inland Terminal Association of Canada and the Western Grain Elevator Association.

The Farmer-Industry Partnership is a cross-section partnership of key stakeholders in the grain industry: the Canadian Special Crops Association; the Inland Terminal Association of Canada; the Saskatchewan Canola Growers Association; the Western Barley Growers Association; the Western Canadian Wheat Growers Association; and the Western Grain Elevator Association.

We have collective concerns with the existing transportation system and believe significant changes must be made, but not at the expense of system participants. Many of the problems we see in the grain industry today can be traced back to a situation with non-commercial elements. Farmer-Industry Partnership members are therefore striving toward an open and transparent transportation system that is based on commercial values.

The Farmer-Industry Partnership is a representative group of industry stakeholders. We're committed to managing the hopper car fleet as a commercial lease company, no more and no less. We would administer the cars in a commercial manner with a net zero impact on freight rates. We're prepared to consider a lease-buy option. The Farmer-Industry Partnership would also have no role in the day-to-day or week-to-week allocation.

Appropriation decisions would be based solely on commercial principles and as a result of lease negotiations. Under the lease arrangements, this would not relieve the railways of their responsibility or their obligation to provide capacity to move the grain.

We would have a management board that would be comprised of representatives from three commodity-based producer groups, three provincially based producer groups, the Inland Terminal Association of Canada and the Western Grain Elevator Association, one representative with a financial or auditing background, and one outside representative with railcar operation or leasing experience.

We would hire a professional fleet management company, under contract, to perform the day-to-day management of the fleet. Of course, we would give the existing fleet managers, the railways CN and CP, the first right of refusal to maintain the hopper cars on the maintenance side.

If the cars are not leased out at commercial rates, it causes significant concern. There are three main areas in which we have concerns. Our first concern is market value, our second concern would be the governance, and the third is the influence on the rail transportation of grain.

The federal government hopper car fleet is of significant value to Canadian taxpayers, and we believe proper and due diligence has to be done before a decision is made. We see three options for the hopper car fleet. The first is for the federal government to retain ownership and then to renegotiate the use with the railways. Option two is that if cars are sold, they should be sold at a fair market value, by way of open tenders to the highest bidder. If the first two are unacceptable, then the Farmer-Industry Partnership proposal at least addresses the core issue of the ownership transfer, and we would like to see that happen. Our options meet the seven principles Transport Canada has laid out.

• (1550)

We look forward to your questions.

The Chair: Thank you very much, Mr. Wagner. You did that in record time.

I know there are many questions around the table. We're going to start with Mr. Batters.

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

I'd like to thank Mr. Davies and Mr. Wagner, members of the Farmer-Industry Partnership, for appearing before this committee today.

I'll start with the same remarks I made last Wednesday. Our primary concern here is what is best for our farmers and the Canadian taxpayer. If we frame this entire discussion along those lines, this will be a very beneficial session.

To the Farmer-Industry Partnership, gentlemen, in your opinion, what are one or two major strengths of your proposal that make it the best option for farmers and taxpayers, as opposed to the other three options before this committee? In your answer, I need to hear why

your proposal will lead to the lowest freight rates for our grain producers in the short term and long term.

The Chair: Mr. Davies, would you like to start off.

Mr. Robert Davies (Chief Executive Officer - Weyburn Inland Terminal Ltd., Director - Western Grain Elevator Association, Director - Inland Terminal Association, Farmer-Industry Partnership): I will take a crack at that one, Mr. Batters. I believe the industry group has put a significant amount of effort into designing a good first position in this proposal that addresses the needs you've outlined. First of all, efficiency is key, with low cost for the farmers in western Canada. Part of that is to ensure there are premium levels of service both for farm and industry participants, which is why these two groups of people got together. Our first goal is to ensure that freight rates don't increase and that over the long term the fleet is replenished and replaced with cars with adequate capacity to continue to move grain for western Canadian farmers.

In ensuring there's a commercial environment in place, we believe cars must be leased at commercial rates to railroads. Upon receiving ownership of the cars, if that's the position the government chooses to take, it'll be very important that cars are leased at commercial rates to ensure they're apportioned according to the law of supply and demand. The revenue received will go to fleet replenishment and maintenance. But we will not artificially create any kind of car market. That would have a negative impact on farmers.

The second thing that's important is that our proposal is clearly non-political. This doesn't have any vested interests. This quite clearly is a simple, very low-cost proposal that will ensure the needs of farmers are met in the long term by having a voluntary board, by hiring people with expertise to manage the fleet appropriately, and by ensuring it's done in a low-cost way.

Does that answer your questions?

• (1555)

Mr. Dave Batters: Some of them.

Does your proposal have greater support among farmers than the Farmer Rail Car Coalition's proposal? I'd like you to provide to this committee some information to back up your claim. Two third parties are appearing before us today. Who has the most support among farmers and farm organizations?

Mr. Albert Wagner: With regard to the farm organizations, the Western Barley Growers Association has 600 to 700 members, the Western Canadian Wheat Growers Association has 1,000 members, the Saskatchewan Canola Growers Association has 1,200 members, and the Special Crops Association represents a number of farmers. Also, as Rob can let you know, a number of the associations he represents are farmer owned. So we represent a large cross-section. I would say that when it comes to the average farmer, we have the largest amount of support in the industry.

Mr. Dave Batters: Thank you.

Gentlemen, how much do you estimate your plan will cost to administer on an annual basis, costs that are borne, of course, ultimately by our producers?

Mr. Robert Davies: We've certainly done some preliminary work on addressing that issue because we feel it is of critical importance. We've contacted the leasing company. It believes that the cost for providing service for approximately 13,000 railcars will be in the order of about \$1 million a year. So that breaks down to about \$77 per car, somewhere in that range. Federal railcars numbering 13,000, or perhaps slightly less than that, out of a fleet of approximately 400,000 in North America is a fairly small piece of the total car supply capacity.

Our view is that we can contract this out to people who have expertise in this business, who can add it to their fleet from a management perspective, who can do an effective job as they do today in terms of managing maintenance schedules, in terms of managing lease schedules and ensuring these cars are looked after properly. We don't see the need to hire a president, four senior managers, and 15 staff, or somewhere in that neighbourhood, to run a fleet of 13,000 railcars.

Mr. Dave Batters: What does the Farmer-Industry Partnership have to say when you hear—and you probably read the minutes from last Wednesday's meeting of this committee—that your proposal came in very late in the game, it's less detailed, and it is yet to be thoroughly studied? Given that the minister has indicated that he is anxious to move on this file, why are you so late coming to the table to us?

The Chair: Go ahead, Mr. Davies.

Mr. Robert Davies: I would agree we were late to the game. I believe we were late to the game for good reason. In January 2004 the direction we were given was that this was a file that was not on anybody's track, it was not moving very quickly. In February it came to light that this was going to proceed in some fashion fairly rapidly. Certainly from an industry perspective, and not to speak for the farm groups, we did not believe the federal government would move forward with disposal of an asset in the neighbourhood of \$100 million to \$200 million without any kind of formal process.

We made several trips to Ottawa, we appeared before the committee, and we wrote a number of letters to members explaining the issues, trying to ensure that people understood that there was a significant amount of impact, both to farmers and to industry players, over the disposal of an asset such as this. Minister Valeri somewhat supported this in the House in May when he indicated that there would be a due diligence process, and we felt that due diligence process would ensure that questions were answered prior to a formal request for proposals being issued by the federal government.

It became very apparent early in December that there would be no requests for proposals. At that point in time both the industry, the grain companies, and farm groups sat down and said they needed to ensure that there was an alternative that met the commercial needs of the industry, a commercial way to address this that was not going to have a long-term negative effect or a short-term negative effect.

In that position we put together a proposal in fairly short order, and we have discussed it with the transport department. The

indication we were given was to get something to them that was workable, and if it appeared there was going to be a more formal request for a proposal, they would give us an indication.

Quite simply, it's very difficult for us to prepare a formal proposal when there are no terms of proposal provided. That's the short answer.

• (1600)

Mr. Dave Batters: All right, thank you.

The Chair: Mr. Carrier.

[Translation]

Mr. Robert Carrier (Alfred-Pellan, BQ): Good afternoon.

First of all, I would like to hear your view on possible conflicts of interests with respect to the farmers themselves, from the perspective of the members of your board of directors. I would like to hear what you have to say on the subject.

[English]

Mr. Albert Wagner: I don't see a potential for conflict of interest in this. We're all looking for a commercial system that's open and transparent. Our groups are voluntary organizations that have one common goal, and their goal is to achieve the lowest freight rate that's available, and we believe that can be done through a commercial system. A commercial system has a system of rewards and penalties through just the normal business process, and so there would be a goal to reduce the freight rates. I don't see any potential for conflict of interest, simply because we have that common goal.

Mr. Robert Davies: If I could just add very briefly, you'll notice in one of our documents that as a condition of membership board members would be required to confirm their commitment to commercial operation of the fleet. We feel it's very critical to ensure that commercial principles guide, as opposed to any other principles, in terms of the interests of one group over another. We believe that. We will hire somebody who runs his fleet in a professional way. We will act as an oversight board to provide direction.

[Translation]

Mr. Robert Carrier: I have a second question.

[English]

The Chair: Okay.

[Translation]

Mr. Robert Carrier: What do you think of the current solution? That was the first of the three options you mentioned. So what would you think if the status quo were to be maintained? Can we maintain the status quo, if we cannot find a good solution? Is it absolutely necessary that we come up with an option other than the status quo?

[English]

Mr. Albert Wagner: We indicated at the outset of our discussion here today that really we felt that was the first option—the government should retain the ownership. However, we felt there was some need to renegotiate some of the operating agreements with the railways. There are some things that we need to look at. They include minimizing the impact on western producers by allowing freight rates to remain the same or to be reduced, and reducing the risk of trade challenges, especially with the United States. As you know, that's been a trade challenge in the past and we basically lost our wheat market due to that. Also, obviously another thing is to continue an adequate car supply for western grain movements.

Mr. Robert Davies: Just to add to Albert's comments, one of the issues with status quo, on which we as an industry agree, is that there are certainly car quality issues from a maintenance perspective and there needs to be a long-term fleet replenishment plan. Those are two things that are not dealt with in status quo. We call it status quo plus. Those two issues need to be dealt with. As to exactly how, those are choices that are there, such as potentially alternate use revenue. There are a number of ways to deal with fleet replenishment, but clearly we need to do a better job on the maintenance side and ensure that there is a plan in the longer term.

• (1605)

[Translation]

Mr. Robert Carrier: I have a third question. I would like to know what you think about the Canadian Wheat Board, which seems to support the proposal put forward by one of your competitors, so to speak, the Farmer Rail Car Coalition.

[English]

The Chair: Mr. Wagner.

Mr. Albert Wagner: I really disagree with the Canadian Wheat Board taking farmers' money and putting it into this initiative, because the Canadian Wheat Board's mandate is to sell our grain. Manipulating or getting involved in transportation is detrimental to farmers.

I hope to make a point here. With the Canadian Wheat Board being involved in transportation, which it looks as if it would under the FRCC proposal because of the financial commitment, it is not only hooking all of us farmers up to that expense, whether we participate or not with the Farmer Rail Car Coalition, but by all appearances it is going to take a major role in the management of the FRCC.

One of the areas we need to deal with very strongly with the Canadian Wheat Board involved in transportation is the amount of commercial storage that farmers pay under the Canadian Wheat Board system. It runs to about \$80 million annually for western farmers. If you compare the non-board crops and the board crops, the wheat and barley that's handled under the Wheat Board, non-board crops take about 19 days from the time the farmer unloads his truck and it gets delivered to the customer in the ship. With the Wheat Board it is an average of 59 days. So there's an additional 40 days when it's in the system. We have a great problem with the Canadian Wheat Board financially supporting that proposal and also being involved in the transportation system.

The Chair: Okay. Madam Desjarlais.

Mrs. Bev Desjarlais: It's a document we have from your proposal. It's under the Western Canadian Wheat Growers Association section. It indicates that part of the reason for not supporting this was that they were totally opposed to FRCC's "social and political objectives". What exactly were the social and political objectives that were being opposed?

Mr. Albert Wagner: What they're proposing, obviously, is to work with the Canadian Wheat Board. I think it's pretty fair to say that the Canadian Wheat Board does administer cars, and frequently it is done on a political side more than it is on a commercial need.

Mrs. Bev Desjarlais: Can you give specifics as to how it's political?

Mr. Albert Wagner: Yes, I can. As a matter of fact, we had the Canadian Wheat Board...to move grain off the country to make it appear to farmers, I guess, that they were moving grain. They moved No. 1 wheat into Churchill in November, when shipping had long closed. Now that grain is all being backhauled to the west coast. There are 280 cars. That's going to cost farmers roughly a hundred dollars a tonne. So what has happened here is the Canadian Wheat Board has turned \$220-a-tonne wheat into \$80 net to the farmer.

That's one of the areas we're really concerned with. We see a very close alliance with the FRCC and the Canadian Wheat Board on this issue. Somehow we have to change the way cars are administered for this kind of activity.

Mrs. Bev Desjarlais: Are you saying that the political side of it was that they sent wheat to Churchill knowing that it wouldn't be shipped?

• (1610)

Mr. Albert Wagner: Well, there's no way you can ship wheat out of Churchill in November. Hudson's Bay is frozen over.

Mrs. Bev Desjarlais: Not always.

The Chair: I believe Mr. Davies wants to add to that point.

Mr. Robert Davies: I think, Mrs. Desjarlais...sorry.

Mrs. Bev Desjarlais: The point I was making, though, is whether you were saying that the Wheat Board deliberately sent shipments there, knowing that they wouldn't be shipped.

Mr. Albert Wagner: Yes. Yes, they did.

Mr. Robert Davies: I look at that as a debate separate from the hopper cars.

Some of the issues that you've mentioned, I think, from a document—I'm sure if you have our document, you have the FRCC's—are to "give farmers more direct influence" over railways and grain companies, "influence of its players by their level of ownership of...assets". Those types of comments are the ones that, as farmers.... In the case of my organization and the organization I represent, we have somewhere in the neighbourhood of 5,000 farmers who have put their money into building inland terminals in the interests of building a more efficient commercial system. For another person to say that farmer control of cars would enlarge their ability to explore other options for shipment or be contrary to the interests of shipments of railways and grain handlers, for somebody to receive assets at a nominal rate and then use those assets to leverage commercial interests—I think those may be the areas where we have significant concern over our investments.

Mrs. Bev Desjarlais: So are you saying that farmer control over those cars isn't necessarily the route to go?

Mr. Robert Davies: What I'm saying is that the cars are an asset for the use of moving western grain.

Mrs. Bev Desjarlais: If we're talking about benefiting the farmers of western Canada—and you have commented on the fact that they are saying they would give farmers greater control—is it your view that farmers shouldn't have greater control over those cars?

Mr. Robert Davies: One of the comments we've had—and again, I'm not quoting exactly—is that ownership of the railcars will give the FRCC a seat at the table.

Mrs. Bev Desjarlais: I'm dealing specifically with your comment—

Mr. Robert Davies: Correct, and that's—

Mrs. Bev Desjarlais: —a criticism that farmers would have more control over those cars, and you're seeing that as a negative. So do you see that as a negative? Is that your comment—that farmers having control over those cars would be a negative?

Mr. Robert Davies: I was just going to go there.

I don't know what control there is to have. The railcars, owned by whomever, are allocated to non-board grains by those who have sales for them. The producer delivers non-board grain to the elevator, and the risk passes to me to move that grain to the customer. In Wheat Board grains, the Wheat Board controls the allocation of the cars.

So I'm not sure I understand what controlling the cars means, I guess. That's been my question up front. We need to ensure we have a car that's maintained; we need to ensure we have a car for the long term—of capacity, of quality—that moves our grain. But that's not control over the car, that's provision of an asset.

Mrs. Bev Desjarlais: You mentioned the car quality issues from a maintenance perspective. Now, everything we've heard to date, apart from aluminum cars not being great, says that the cars are in relatively good condition—we've heard to the point of 96%, in some cases—and then there are some figures related to some gates needing repair. But basically we've heard that there are years left in these cars.

Are you not in agreement with that?

Mr. Robert Davies: Clearly, there's repair required to the cars. I don't have the numbers in front of me, but I believe it's 96%, excluding hatches and gates—and being from Manitoba, I can say this is kind of like saying Winnipeg's a great place to holiday in January if it weren't for the weather. Hatches and gates are integral parts of the cars that need to be dealt with—full stop.

Mrs. Bev Desjarlais: Okay.

The Chair: You have time.

Mrs. Bev Desjarlais: Now, the figures we're using are figures that came certainly from both rail lines as well as from Transport Canada. So I'm curious. Again, there was some comment that a percentage of hatches and gates had to be fixed, but overall it was that the cars were in good repair.

Now, one of the rail lines' intent was that they wanted to use a bigger car, that kind of thing. So there's no question, I think, that there's an indication that further on down the road there might be better utilization of numbers of cars and the amount they can carry.

But as far as the cars themselves are concerned, we're being told that they're in good shape.

Mr. Robert Davies: Except for hatches and gates.

Mrs. Bev Desjarlais: Well, yes.

Mr. Robert Davies: My comment would be that the railways have been provided with revenue stream to maintain the cars. It wouldn't appear, from where I sit.... When I see cars outside my facility, we often have a 40% to 50% rejection rate of cars, where we can reject. We fix them. We spend the time and energy to fix them at our cost, because moving grain requires railcars, that's all.

We need to fix them ourselves in order to ship grain. So we do that.

•(1615)

Mrs. Bev Desjarlais: You're fixing them as—

The Chair: Very briefly.

Mrs. Bev Desjarlais: I'm done.

The Chair: Mr. Scarpaleggia.

Mr. Francis Scarpaleggia: Thank you, Mr. Chair.

Being from an eastern Canadian riding, I'll submit that I don't have the same detailed knowledge of this issue as perhaps Madam Desjarlais or Mr. Batters, but I am very interested in it. I suppose these questions have already been asked, so maybe you'll just take them as comments.

I'm really interested in knowing to what extent the farming community supports your proposal vis-à-vis the proposal of the Farmer Rail Car Coalition. If you had to guess how many farmers supported your proposal, would you say 1,500 to 2,000?

Mr. Albert Wagner: Well, I would suggest that a minimum of 50% of the farmers out there would support our proposal. If you want an actual number....

Mr. Francis Scarpaleggia: Fifty per cent. That sounds almost like just cutting it in half for the purposes of your presentation so that no one can argue with it. You know, how many times do we hit 50%?

Mr. Albert Wagner: I think the difference, though, on our side of it, our proposal, is that our membership is all voluntary. We have no mandatory membership within our groups. So you have a large group of farmers who support the issue. There are a number of farmers out there who you might say are not grain producers. Therefore, they really have no—for lack of a better word—“interest” in it.

Mr. Francis Scarpaleggia: What about the Manitoba farmers' union, the Saskatchewan Farmers' Union, or the Alberta farmers' union? I may not have the names correct, but there must be farmers' unions in these three provinces. Do they line up with you on this?

Mr. Albert Wagner: Well, the National Farmers Union does not, no.

Mr. Francis Scarpaleggia: I imagine, though, because you're setting up a corporate entity, there would be some sort of governance structure, some sort of board of directors. Would there be spaces reserved for farmers' representatives?

Mr. Albert Wagner: Yes, we have three commodity groups and three provincially based farm organizations.

Mr. Francis Scarpaleggia: Do those organizations support the proposal? So we'd be talking about.... Is there an organization called Wild Rose?

Mr. Albert Wagner: Wild Rose has not officially supported us. No, they don't, at this point.

Mr. Francis Scarpaleggia: I don't know how quickly the transport ministry has to decide, but again, as someone who is not from western Canada and who doesn't understand these issues intimately, I look at your proposal, which comprises eight pages at this stage.... Is that correct?

Mr. Albert Wagner: Yes.

Mr. Francis Scarpaleggia: Then, I'm just looking at the proposal from the Farmer Rail Car Coalition, which is an abridged version and considerably more developed. My understanding is that it's been prepared by one of the foremost management consulting firms in the world, KPMG. Is that correct?

Mr. Robert Davies: I wasn't party to completing that document, but my first comment would be that a significant amount of that document is historical and information gathered from other sources regarding the industry in general. There is an awful lot of information there that doesn't relate specifically to a document. When we get down to the nuts and bolts of how this operates, a number of comments in it are in terms of “best intentions”, “will negotiate”, “we plan to be commercial”, “we plan to do”, and things like that.

Just to be clear, ours is pretty lean. It was put together on pretty short notice without any support from any other area, first of all.

To answer some of your other questions very quickly regarding the level of support, I think one of the critical issues, if you want to look at farm support from western Canada, is that two of the major groups who were in the Farmer Rail Car Coalition from day one—the Western Canadian Wheat Growers Association, a single-commodity group across western Canada, and the Saskatchewan Canola Growers Association—have both left the FRCC and are now both signatory to this document. So if we want to talk about who's

supporting which area, I think those are two pretty major farm groups that have supported this document as a more commercial, better approach to solving this problem, and they were inside the room when the other organization began. I don't know how that goes to the 50% or 80%.

One of the issues in western Canada is that most farmers are members of many organizations. SARM, the Saskatchewan Association of Rural Municipalities, includes the people who vote in rural municipal elections. To call them supporters of FRCC because they voted in a SARM election—I'm not sure if that's an appropriate comparison. The numbers game is very difficult.

I'll just stop there.

• (1620)

Mr. Francis Scarpaleggia: Okay. Thank you.

The Chair: Thank you.

Now Mr. Gouk and Mr. Scheer are going to split five minutes.

Mr. Jim Gouk: I'm not asking to split five minutes, but I just have one question.

We heard last week from the railways. Their testimony was that for cost-effectiveness, if they had full control of the railcars, either through a lease from the government or through ownership, they could actually exchange them with more suitable cars, run those down south where their capacity is more suitable for the types of things that are being hauled, and run a different car up here that is more suitable for grain haulage and that would make it more cost-effective.

In your fact sheet, in point four you state that, “As a term of the lease, railways would have to make the full complement of cars available for western grain movement.” Would that preclude the ability of the railway to take these cars away and use them in a different market and substitute more suitable cars, not on a one-for-one basis but a tonne-for-tonne basis? What kind of parameters would you deal with that under?

Mr. Robert Davies: That's a very good question.

In our view, we're not railroaders and we're not a leasing company. That's not where our experience is. Our experience is in farming, growing grain, and the handling and sending of it to an end-use customer. That is the reason we are looking at hiring an expert in the industry to manage the rails for us. They will report back to us and we will provide direction to them. However, it is up to them to work with the railroads to ensure appropriate leases are in place and appropriate capacity is in place for western Canadian farmers' grain.

Mr. Jim Gouk: Your point then could be that the parameters may be a variable?

Mr. Robert Davies: The railroads have an obligation to provide movement of western grain to farmers in western Canada; they have a statutory obligation to do that, so they need to follow up on that.

Mr. Jim Gouk: Okay.

The Chair: Mr. Scheer.

Mr. Andrew Scheer (Regina—Qu'Appelle, CPC): Can you speak briefly to the issue of replacement of the fleet and how that fits into your plan in regard to leasing it right back out?

Mr. Robert Davies: I guess, in our view, we would look at the reduction in the revenue cap. It's taking money from the railways. We would basically ensure that the freight rates don't go above where they are today. The remaining revenue would go into fleet replenishment. That's fairly simple.

It's over-simplified, but at the end of the day we see car maintenance costs as cyclical; some years they'll be \$700 and some years they'll be \$5,000 to fix a car. On average we look at fleet costs of about \$2,000 per car, from the indications we've been given. That's assuming in our model that the railways continue to manage the fleet and continue to do the maintenance, because they will have them on their own yards with their own people in western Canada doing the work on the cars. So there isn't going to be movement, there isn't going to be storage, there aren't going to be those kinds of issues to deal with on the freight costs. So we believe it can be done for about \$2,000 a car.

Again, that number is probably going to be imperfect, but the fleet management company's responsibility will be to ensure that all car repairs are documented and that all charges for those repairs are appropriate—and that's within their area of expertise, and certainly not ours. So it's another good reason to hire somebody to do that for us.

Mr. Andrew Scheer: That's really the crux of this question. Whose numbers do you believe for car maintenance? If there is a difference between what your group or the FRCC says compared to what the railroads do, there is either a savings there or there isn't. Your proposal to have bills itemized would seem to go a long way to getting an accurate number.

Mr. Robert Davies: Those 13,000 cars are not an awful lot of cars. There are people who do this for a living. The 13,000 cars would flip into the database fairly quickly in order to attract costs appropriately.

Mr. Andrew Scheer: Where would the savings be if the two options allowed the railroads to buy them and they would take over control and ownership of the fleet? Why would your proposal be better than that option?

I believe you said that the status quo would be preferable. What would be the difference between your group owning it and the railroads owning it?

• (1625)

Mr. Robert Davies: Railroads don't own the cars. The federal government provides them with the cars.

Mr. Andrew Scheer: Yes, but—

Mr. Robert Davies: Status quo today would ensure that there's a better operating agreement to make the railroads maintain the fleet. There need to be new conditions around the replenishment of the fleet.

Mr. Andrew Scheer: Right. If a request for a proposal was put out and the railroads put a bid in, bought them, and actually took on ownership, is that better or would you rather have your proposal? I guess that's what I'm getting at.

Mr. Robert Davies: In a commercial tender, again, Mr. Justice Estey studied this more comprehensively than anybody has that I know of. His report indicated that the best resolution of this issue,

after a significant amount of study, was the commercial sale of these cars in blocks, tendering the cars out in blocks. That puts a commercial value on them, which again, in a supply and demand world, would indicate that there should be a return.

I'm not sure that I want all the control in the hands of the railways, but in a commercial system they would have to pay the price. They would still retain a level of service obligation to provide movement of western grain, irrespective of ownership. That balances it to some degree.

Mr. Andrew Scheer: So your preference for the government maintaining ownership, even with a renegotiated deal with the railroads, doesn't mesh with the Estey report of getting the government out of—

Mr. Robert Davies: Correct.

Mr. Andrew Scheer: Okay.

The Chair: Thank you.

Mr. Karygiannis.

Hon. Jim Karygiannis (Scarborough—Agincourt, Lib.): Thank you very much for coming.

I only have a couple of questions. I'm not sure if you have answered them, but if you have, I apologize. Humour me, please.

You said there are people who do this for a living and maintain 13,000 cars. Who are they?

Mr. Robert Davies: Not maintain, but manage.

Hon. Jim Karygiannis: Who?

Mr. Robert Davies: There are Greenbrier Leasing and GE Capital. There are a number of leasing companies that do this.

Hon. Jim Karygiannis: Are they based in Canada?

Mr. Robert Davies: They would have Canadian offices. I know both of them have Canadian offices.

Hon. Jim Karygiannis: Are they owned by Canadians or are they fleets that operate out of the States?

Mr. Albert Wagner: They're investor-owned companies.

Hon. Jim Karygiannis: Sorry?

Mr. Robert Davies: They are investor-owned companies.

Mr. Albert Wagner: They're private companies.

Hon. Jim Karygiannis: Are they Canadian private companies?

The Chair: It's difficult. You're asking very specific questions. I think you're saying they're public. Are they publicly owned companies?

Mr. Albert Wagner: I guess they're publicly owned. They're publicly traded, yes.

Mr. Robert Davies: The North American fleet is a pretty fluid fleet. The fleet moves north and south. We have American cars in Canada on an ongoing basis, so the fleet is essentially one fleet on one set of rails.

Hon. Jim Karygiannis: My next question is this. What would you be able to do better, with the people who do this for a living, than CN/CP would be able to do?

Mr. Robert Davies: I have to put this delicately. In my view, we don't have appropriate controls in place today. There's an allowance built into the revenue cap for the maintenance of cars.

Hon. Jim Karygiannis: Can you elaborate on the appropriate controls in place, please?

Mr. Robert Davies: I'm not within Transport Canada. That would be a question for Helena Borges. But we certainly don't see evidence that there's approximately \$4,300 per car being spent on maintenance at this point in time. That would not be our view.

I think the railways would recognize, and probably have recognized in front of this committee or the agriculture committee, that they have been waiting for a decision on this file prior to maintaining the cars at an appropriate level. This organization would track by car the repairs, the appropriate level of repairs, and the appropriate costs of those repairs to ensure that the fleet is managed properly.

Hon. Jim Karygiannis: What I'm hearing is that the railways do not have a proper accounting on the maintenance of the cars.

Mr. Robert Davies: If I give my son \$20, tell him to leave, and ask for an accounting of it, he probably has to bring it back to me. I'm not sure what levels of control have been put into the railways from Transport Canada. That's a question I can't answer.

It would appear to me they've been given a number that they're allowed to use for repairs and maintenance. I'm not sure that they've spent the entire amount.

Hon. Jim Karygiannis: Thank you.

The Chair: Mr. Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Like Mr. Scarpaleggia, I too am from Quebec, from Eastern Canada. What happens in the Prairies provinces is not our first concern, but our objective nevertheless is that the decision be made in the best interest of western farmers.

You said earlier that you had the support of 50 per cent of farmers. I think it is important to have the support of the people who will be using the system. On the other hand, your competitor, the Farmer Rail Car Coalition, claims to have the support of 90 per cent of farmers. If we combine the two, the level of support is 140 per cent. I think I heard you say that this is commercial or business matter, in any case.

Do you mean that the best operator or company should be chosen, not necessarily the one that represents the most farmers? Is that in fact what you meant?

• (1630)

[*English*]

Mr. Albert Wagner: I think the difference between us and the FRCC is that our membership groups are voluntary. They support our groups voluntarily. So there's a difference there.

I do believe the best operator is the one that should manage the cars, because we're looking for a commercial and transparent system that has the opportunity to create efficiencies and mitigate cost.

That's the way you reduce the cost to farmers. So it is the best operator, I guess.

Mr. Robert Davies: Secondary to that, again in western Canada, is the numbers game. Given the number of organizations that various farmers belong to or can be associated with, I would say both of us could claim between 10% and 100% or 130% of producer support. What we can clearly go on is the voluntary membership nature of the groups that are supporting the FIP proposal, and the fact that members of the canola growers and the wheat growers left the FRCC to join this group. From a broader perspective than western Canada, three of the Ontario grower associations have recently withdrawn their support from the FRCC—the wheat growers, the corn growers, and another.

So we believe that from a voluntary perspective, the numbers very clearly support a more commercial approach that puts a better situation ahead in the long term.

Mr. Robert Carrier: Thank you.

The Chair: Thank you.

Madam Desjarlais.

Mrs. Bev Desjarlais: I'll try to be quick because I know we're going to be running out of time.

I'm curious about something. Someone asked you how much it cost to administer your program, and you said you had done some preliminary work and had spoken to a leasing company that thought you could operate it for about \$1 million a year. Was that leasing company one of the two you mentioned?

Mr. Robert Davies: Obviously we don't have all the data to provide them and get a full quote on it, but we talked to them about the cost of maintaining the fleet. I tried to phone on my way in today to find out which one of the two it was, but I believe it was one of those two that quoted the \$1 million.

Mrs. Bev Desjarlais: So you were checking, even as late as today, what it was going to cost to operate.

Mr. Robert Davies: No.

Mrs. Bev Desjarlais: I'm curious which proposal you sent out to all the members of your organizations to see if they would support it.

Mr. Robert Davies: We weren't checking the cost today. Somebody else did that part of this document, and I just wanted to get confirmation on which company it was—which I didn't receive.

This document you see is what was circulated in early December, and all those groups have signed on to Canadian Special Crops—

Mrs. Bev Desjarlais: Was it sent to specific groups, or was it sent to member farmers? Was it sent to the farmers themselves, or was it sent to, I don't know, the board of directors?

Mr. Robert Davies: The directors, the organizers of those organizations would have been the ones who reviewed it and signed on.

Mrs. Bev Desjarlais: Okay, so in reality the individual members, the farmers, haven't said this is the best proposal, because they in reality haven't seen the proposal.

Mr. Robert Davies: Nor have they seen the FRCC proposal. So, fair enough.

Mrs. Bev Desjarlais: Well, on that one I can safely say not true, because I have, for seven years, been dealing with a good number of farmers from Saskatchewan and Manitoba who have been supporting the FRCC proposal through the Hudson Bay Route Association and others, who have seen....

I'm being up front here. I rode the train with them to Churchill and listened to a good 100-plus of those farmers talk about the proposal and how much they supported it, how much value it was going to be to western farmers, because their prime consideration wasn't necessarily that CN was going to make a good buck or that the leasing company was going to make a good buck; their prime consideration was that they were going to do what was best for western farmers to make it possible for them to ship their grain as cost-effectively as possible.

I've been having discussions with them for a number of years. I have specifically talked to at least 100-plus farmers who have seen the proposal.

●(1635)

Mr. Robert Davies: I would agree with you, Madame Desjarlais. The only issue would be that until November 1—or I guess it was probably three days before the transport session—other than a very broad-spectrum proposal, the business plan wasn't available to anybody, never mind a large number of farmers. It would be very difficult for them to have seen it when nobody in the industry was allowed access to it, other than a very broad-spectrum proposal on the Internet. That would be the first question.

The Chair: This is your last comment or question.

Mrs. Bev Desjarlais: Then I won't get onto that.

Just in regard to, again, the question of numbers—because it is being sort of chunked around here as to who gets the best support and who doesn't—I do have a concern. You're absolutely right that you can pick and choose however many fall within the barley growers or the wheat growers, but the reality is that a good number of farmers have been involved in this on an ongoing basis, looking to make it more cost-effective for them to deal with.

The reason I'm bringing it up is that you have mentioned CN's costing formula. You don't necessarily agree that CN or CP might be giving the best or the real costing on the maintenance of the cars, yet somehow we should be okay with just turning over those cars or selling those cars commercially to CN or CP and then trust that they're going to give an upfront maintenance cost after the fact.

Mr. Robert Davies: First, I would agree 100% that farmers need to be included in this proposal. Our proposal encompasses a number of farm groups. If you'll notice, on our board we've left space for three provincial farm organizations, none of whom are currently involved, but in our view it's important that they be involved going forward. So I believe we are trying to ensure that we do include a broad spectrum of farmers.

From that perspective, I think we agree that it's important that farmers are represented. We've certainly made room on our board for them, although they may not be included today.

From the railroad perspective, controls need to be in place. I believe that's Transport Canada's role today. Certainly those provisions could be made going forward and as part of a sale.

The Chair: Thank you, Mr. Davies, and thank you, Mr. Wagner, for coming today. We've heard a lot. We've had a lot of questions. I've learned a lot about Hudson's Bay in winter and Winnipeg as a winter resort. We've heard a few soliloquies here today. We thank you for coming and being so forthright.

We will suspend for about two minutes in order for our next set of witnesses to approach the table.

Mr. Albert Wagner: Thank you for the opportunity.

The Chair: Thank you.

●(1638)

_____ (Pause) _____

●(1642)

The Chair: Perhaps we can resume part two of today's meeting or, as someone says, part three.

With us from the Farmer Rail Car Coalition, we have Mr. Churko, Mr. Robbins, and Mr. Harrison.

In the interest of time, I'm not going to give everyone your official titles. You were here, I believe, at the beginning of the last session. If you would limit your comments to 10 minutes or under, it would be appreciated.

So please proceed.

Mr. Jim Robbins (Vice-President, Farmer Rail Car Coalition): Thank you very much, Mr. Galloway.

My name is Jim Robbins. I'm the vice-chairman of the Farmer Rail Car Coalition. I'm a farmer from Delisle, Saskatchewan. I grow grains and also produce cattle.

Beside me is Sinclair Harrison, who is president of the FRCC, and Bernie Churko, who is the president of Saskatchewan Grain Car Corporation. The Saskatchewan Grain Car Corporation is an adviser to the Farmer Rail Car Coalition.

I want to begin by thanking the committee for this opportunity to appear and to answer questions that have been raised respecting our proposal.

We have forwarded to you a document that outlines our proposal and compares it to the recent WGEA proposal and the proposals of the two railways. I don't intend to read this into the record but will instead focus on some key points and leave as much time as possible for questions.

The Government of Canada initially purchased these hopper cars in the 1970s as a benefit to western farmers and because the railways did not have sufficient capacity to meet export requirements at the time. While estimates of how much farmers benefit from the provision of hopper cars vary depending on current hopper lease rates, I don't think anyone would disagree that the benefit is somewhere in the order of \$3 to \$4 a tonne of grain that's shipped out of western Canada. As a result, every year western farmers save in the order of \$60 million to \$80 million in reduced freight costs because government, both federal and provincial, Alberta and Saskatchewan, provide hopper cars free for export movements to port. Western farmers appreciate it and want it to continue.

The goal of the FRCC is to ensure that this happens. The FRCC, working in conjunction with KPMG and MacQuarie International, has developed a business plan that will do five things: first, give priority to the transportation of western grain; second, ensure the long-term availability of the current hopper car capacity—not these particular cars necessarily, but the capacity into the future—third, improve overall hopper car maintenance standards, while bringing costs associated with maintenance into line with current industry practices and standards; fourth, establish a program to upgrade the existing fleet; and last, improve system efficiency through systematic replacement of the current fleet with hopper cars that meet the most modern standards. All of this will be done at the least possible cost to farmers.

The FRCC believes that our plan for the federal hopper car fleet will benefit farmers for decades to come through reduced costs and improved transportation system efficiency. And our business plan is sound.

Our business plan has been thoroughly examined by Transport Canada. We've answered hundreds of questions. Transport Canada engaged the service of Deloitte & Touche, which is a national accounting firm, to do a thorough review of our plan, and at the end of the day they said that our plan was both good and workable.

We are very proud of the business plan that western farmers have been able to put together.

This committee has also heard three other proposals for the disposal of the hopper car fleet, two from the railways and one from the group that you've just listened to.

Right now both railways are given the hopper cars by the federal government for their free use when transporting western grain to port. For the movement of grain or other commodities from point to point in Canada, or to Mexico or the United States, the railways pay a lease fee for the use of the hopper cars.

This committee has heard from both railways on what they would like to see. In the case of Canadian National, they want to buy the government hopper cars currently allocated to them at market rates and they have committed to replacing the aluminum cars. They have about 2,200 aluminum cars out of 6,000 cars, roughly, in total. The disadvantages of this proposal are that it will increase the cost to farmers because, of course, purchasing those cars will immediately be incorporated into the revenue cap. No commitment has been given in that proposal, either, to replacing the entire fleet, and there

has been no guarantee given that the cars will be committed to the movement of western grain.

In the case of CP Rail, they would like the government to continue to own the hopper car fleet. Originally they wanted the government to drop alternate use charges. They have changed that now. They want leases that extend for the life of the car, and those leases would be based on current alternate use revenues.

As western farmers we are very concerned with this proposal because, again, it will increase costs to farmers over time. As the cars are replaced, the replacement cost would be incorporated into the revenue cap. It commits to commencing upgrades only after a very considerable delay, roughly 20 years. It increases the risk of trade challenges—we submit that it increases the risk—and there has been no guarantee given that the cars, again, will be committed to western grain service.

● (1645)

Western farmers don't believe that either of these railway alternatives meets their needs. These options would end any benefit that farmers have historically enjoyed from the provision of the hopper cars and would result in higher freight rates.

In regard to the Farmer-Industry Partnership proposal, we had some difficulty doing an assessment because so little information is available. What we did have was a press release from the Western Grain Elevator Association and the eight-page letter that was sent to the Minister of Transport and tabled in the House of Commons Standing Committee of Agriculture and Agri-Food.

These documents proposed to establish a car leasing company that would do some good things: it would acquire the government hopper car fleet for a nominal sum or on a lease-to-purchase basis that would definitely of course be on concessionary terms, too; it would dedicate the fleet to the movement of grain produced in western Canada as a first priority; it would lease the cars to the railways on a full-service basis—in other words, it would take over management of the maintenance; and it would build up reserves from the net proceeds of the leases to replace the cars with modern, high-capacity cars. All of this they propose to do at no increased cost to farmers.

At first blush this appeared to us to be very much like our proposal. It's certainly an endorsement of all the main concepts. However, on re-reading the limited information that we had, what we found was a hastily prepared document that borrows the overall look of our plan, but very little of the content. While clearly not a business plan, the document does, however, provide some information to assess its likely financial performance.

The positive aspects of the grain company proposal are that it would result in no increased cost to farmers, and that it recognizes that the revenue cap could be reduced by removing the responsibility for car maintenance from the railways. However, the proposal has critical flaws that result in its not meeting the need of western producers or the criterion established by Transport Canada.

The proposal states that the cost of maintenance will be between \$2,000 and \$2,500 per car per year. This is significantly higher than our estimate of \$1,500 per car per year, and we have some cushion built into our \$1,500. We don't know whether this difference is caused by their management structure or their maintenance processes, their giving the right of first refusal to the railways to conduct the work, or some other reason, but clearly it's a higher number than the one we believe is very much achievable.

The proposal will also not result in the replacement of the entire hopper car fleet. Based on their own replacement numbers, 200 to 250 hopper cars could be purchased each year. This depends on whether a nominal sum transaction or an actual lease-to-purchase option is chosen by the government. So the most they could replace over 30 years at those rates would be 7,500 cars—and these cars will all have to be replaced in 30 years. They might only be able to replace 6,000 if it was a lease-to-purchase situation.

No provisions have been established for addressing any of the risks inherent in agriculture or in railroading in the brief document they've proposed. In particular, grain volume volatility and extraordinary maintenance expenses, which of course could occur at any time, are not taken into account.

The proposal will increase the risk of U.S. trade action. Now, under the FRCC plan, railways pay full commercial rates for the use of hopper cars to move grain into the United States. Under the grain company proposal they will pay significantly less than current market rates, and this will increase the risk of trade challenge.

The financial information makes no allowance for income taxes either, which is, I think, interesting. It would appear therefore that the group intends for the company to be not-for-profit, but of course obtaining not-for-profit status is not automatic. It would have to be obtained.

These are only a few of the issues we have with the letter put forward by the grain companies.

I'd like to say a little bit, finally, about the revenue cap.

• (1650)

The Chair: Mr. Robbins, you're at 10 minutes. Would you please wrap up?

Mr. Jim Robbins: Let me just conclude. I'll put the revenue cap aside; I'm sure we'll get to it in questions.

In conclusion, after looking at all the alternatives, we fundamentally believe that the FRCC plan is best for western farmers. We're proposing it as a first option. The FRCC plan will ensure capacity into the future, result in improved maintenance, and allow us to upgrade and replace the fleet on a priority basis over the next 30 years. All of this will be done at the least possible cost to western farmers.

I want to thank you for this opportunity, and of course we're glad to answer questions.

The Chair: Thank you, Mr. Robbins.

We're going to start questions with Mr. Scheer.

Mr. Andrew Scheer: Thank you, and thank you all for coming. I know many of you have been working on this issue for quite a long time.

I want to dive right in here very quickly and follow up on something Madam Desjarlais had asked the previous group. The impression was given that the FRCC has in fact circulated your proposal to every member of your member groups for their approval. Has that in fact happened?

Mr. Jim Robbins: We've done a business plan. It was completed in 2002. Every member of our coalition has a serving member on the board and they've all had that circulated to them. It's their duty, of course, to communicate that back to their organizations.

Mr. Andrew Scheer: So it's not clear whether or not every single farmer belonging to every single one of your groups has actually seen this and voted—

Mr. Jim Robbins: I hate to shock you, Mr. Scheer, but I doubt very much whether every member of every organization has read that plan, no. We, of course, would not make that claim.

Mr. Andrew Scheer: Great. No, I just wanted to clarify that.

Very quickly, both the railroads and Transport Canada have stated that the surveys of the cars have found that they are in average to good condition. The previous presentation questioned that, and I think you guys have questioned that as well. What would your assessment be of the quality of the cars right now?

Mr. Jim Robbins: The average quality of the cars is pretty good. They haven't been in corrosive service and their mileage versus the North American average has been pretty modest, but there are problems. At a November meeting held in Winnipeg convened by Transport Canada, Mr. Harris, the vice-president of CN, pointed out that in his opinion railroad companies don't break hatches and gates. As a consequence, I think the implication was that they don't spend much time on hatches and gates.

You heard from Mr. Davies, who actually loads quite a few cars, or his staff does anyway, that those hatches and gates are not in great condition. The concern for farmers is really the ability to load these cars and get loads under way, and there are some problems, primarily with hatches and gates.

I think Mr. Churko has something to say on that score too, though.

• (1655)

Mr. Bernie Churko (Advisor, Board of Directors, Farmer Rail Car Coalition): I could add a bit more in that for 20-year old cars, which is the average, they're in good condition. From a safety perspective, they've always been in good condition. Our railways are very conscientious.

Mr. Andrew Scheer: Just a bit of—

Mr. Bernie Churko: But just to use some benchmarks, we checked with several bulk industries, and availability for loading is around 99% when it arrives at their facility. If you look at Transport Canada's numbers, they're at about 75%. So relative to that standard the availability for loading is not very good.

Mr. Andrew Scheer: All right.

One of the concerns that have been raised about the FRCC is the issue of governance. Correct me if I'm wrong on any of this, but you're going to have a nine-member board, five of whom will be permanent members based on who is part of the FRCC right now—

Mr. Jim Robbins: Do you want me to explain that structure?

Mr. Andrew Scheer: The question I have is, if five out of nine are always going to be groups that have been associated with FRCC, if I were a member of a different organization that hasn't come on board yet, how would I view this if I know that if I do come on board later on, I'm always going to be outvoted?

Mr. Jim Robbins: The question of whether you're going to be outvoted would be whether you held an opinion that was different from the majority of the organizations that are part of the FRCC and sit on that board, which I don't think is necessarily the case.

At the moment what we have structured is, yes, a nine-member board. Four of those places are available to 12 organizations that are a part of the FRCC; and five of those places are currently reserved for founding members of the FRCC, organizations that have put a lot of time and work and money into the proposal.

Mr. Andrew Scheer: Why is it necessary to have those permanent five members? Why can't we, after a certain period of time, open it wide up and—

Mr. Jim Robbins: Perhaps after a certain period of time that would be possible.

At the moment, of course, the organizations that have worked on this proposal very hard for eight and a half years have both a lot committed to it and, I think, a lot of expertise in the issue. Having them occupy at least initially those spaces, I think there's a very good rationale for that.

The Chair: Mr. Harrison, you wanted to add to that?

Mr. Sinclair Harrison (President, Farmer Rail Car Coalition): I think if you explore who those five members are, they're not commodity specific, they're general in nature. You have Keystone Agricultural Producers from Manitoba, which represents many of the commodity groups, so they're broad-based. In Saskatchewan, you have SARM, which represents every rural municipality and so is broad-based. APAS is broad-based. Wild Rose represents all of Manitoba.

So they're not concentrated on one particular commodity, and we feel that gives you the core base of your board of directors. The National Farmers Union is nationally based, so that brings a national perspective to the board.

Mr. Andrew Scheer: Can you address very quickly what you estimate the administration costs would be under your proposal?

Mr. Jim Robbins: I can give you a rough idea of that. We propose to have a company in place that actively manages these cars. We think there's a very real virtue in actively managing a fleet of cars like this; that the only way we can get a maximum alternate use revenue from these cars and the only way we can properly reduce maintenance costs is through active management.

We are proposing a company that has employees and that actually does actively manage. Our estimates for costs are in the order of \$2

million per annum, but we think that cost will easily be recouped through the expertise that management has to offer.

Mr. Andrew Scheer: Have you obtained not-for-profit status?

Mr. Jim Robbins: Yes, we have.

Mr. Andrew Scheer: You have. So is it such a stretch that the Western Grain Elevator proposal would also gain it?

Mr. Jim Robbins: There are several potential difficulties. You'll have noticed in the eight-page document that was put before you that the Western Grain Elevator Association and ITAC would both be board members. You'll have noticed as well that they're the second priority for cars—western grain movement would be the first, then western grain shippers would be the second priority. If board members actually stand the possibility of obtaining a commercial advantage, there is the potential that they would not be granted not-for-profit status.

The Chair: This is your last question.

Mr. Andrew Scheer: How is it that you were able to work so closely with Transport Canada before there was any sort of request for proposals? How is it that Transport Canada audited your business plan—they seemed to work pretty closely with you on this—before there was an open process where many different solutions...? How is it that you seem, at first glance, to have a bit of an inside track here?

● (1700)

Mr. Jim Robbins: We're glad that looks like an inside track. It looks like a long-distance track to us. We've been working on this issue for nine years. We did a business plan in 2002, because it was our understanding that the government was imminently going to do something on this file.

To suggest we have an inside track I think is not appropriate. If we had an inside track, surely the race would have been finished by this point in time.

Mr. Bernie Churko: Transport Canada, I might add, announced on several occasions—initially and then again once the right of first refusal from the railways was offered—that they were going to sell. The information was certainly out there that a transfer was going to take place.

The Chair: Thank you, Mr. Scheer.

Monsieur Carrier.

[Translation]

Mr. Robert Carrier: Thank you.

In the Farmer-Industry Partnership proposal, I read that your business plan was valid provided you became the owners of all the cars, not just those currently owned by the federal government. Your plan also included the cars currently owned by the Saskatchewan and Manitoba governments and by the Canadian Wheat Board. However, today we are discussing only the disposal of the hopper cars that belong to the Government of Canada.

Can you give me some clarification on this?

[English]

Mr. Jim Robbins: Yes, certainly.

The western Canadian railcar fleet that carries cars is usually in the order of 25,000 cars. The Government of Canada owns somewhat fewer than 13,000. The Canadian Wheat Board owns 2,000. The governments of Saskatchewan and Alberta each own 1,000.

What we did when we conducted our business plan was conduct it on the hope that we would get all of the government cars and that we would get the Saskatchewan government cars as well. We didn't conduct the business plan on the basis of having the Alberta cars or the Canadian Wheat Board cars, or even the leased cars that the federal government leases.

So our plan isn't dependent on having that entire set of publicly owned cars, just the government fleet and the Saskatchewan government fleet.

[Translation]

Mr. Robert Carrier: I would like to see this proposal have the approval of all western farmers, to ensure that the approach is in keeping with the wishes of the majority of farmers.

How do you explain the fact that there is a second proposal on the table that is partly supported by some of the same farmers?

[English]

Mr. Jim Robbins: In the case of the province of Quebec, farmers are significantly more unified than in the case of western Canada. It is true that there are many organizations in western Canada. The Farmer Rail Car Coalition represents 17 organizations. Even in the case of commodity groups, you heard a proposal before ours that came from three commodity groups and elevator companies. We have four commodity groups present in our membership. So we're a fractious lot in western Canada, there's no doubt about that at all. But we have made the claim that we represent the vast majority of farmers, and we stick by that claim.

Mr. Wagner was at great pains to say that the organizations he represents have voluntary memberships. Our organizations have voluntary memberships too. I represent the National Farmers Union. It's a voluntary membership organization. You have to pay \$150 a year for a family to be a member of our organization. When you compare the membership that Mr. Wagner put on the table—I believe he said 1,000 each for the canola growers and the wheat growers, and 600 for the barley growers—we vastly outnumber that group of people.

Just to add a little more detail, Ipsos-Reid recently did a survey of western Canadian farmers, and some of our organizations that are present in the Farmer Rail Car Coalition showed up very well in that survey. Keystone Agricultural Producers was chosen by over half of Manitoba farmers as the organization that best represents their interests.

So we base our claim on the large number of organizations, their large voluntary memberships, and polling data such as that which I've just put out.

● (1705)

The Chair: Ms. Desjarlais.

Mrs. Bev Desjarlais: The governance question seems to be one that has people concerned, in that it's not going to give an active involvement. I'm glad you pointed out that there would be representation from Keystone, SARM, Wild Rose, NFU, and APAS. It's not as if there are not going to be any farmers involved, because my guess is that Keystone is going to be farmer-based.

Mr. Jim Robbins: Absolutely.

Mrs. Bev Desjarlais: With SARM you may not necessarily get a farmer involved, but there's a fairly good chance.

Mr. Jim Robbins: Actually, I think Mr. Harrison should speak to this. He's the former president of SARM.

Mr. Sinclair Harrison: Virtually all the board of directors would be, and it's likely that most definitely someone from the board of directors would sit in the chair on the Farmer Rail Car Coalition. So virtually, yes, it would be a farmer.

For the Alberta Association of Municipal Districts and Counties, it's the same thing. And for APAS, of course, it's also the same thing.

Mrs. Bev Desjarlais: So even though they're not specific organizations, they're not specific individuals, they're going to be representatives from within those organizations, which are representative of the farming community.

Mr. Sinclair Harrison: Absolutely. And one of the reasons for choosing those five at least initially fixed positions was that they were general farm organizations, large organizations.

Mrs. Bev Desjarlais: I do note that on the back, unless I'm missing it—and I don't have my glasses on, so it's possible—the Canadian Wheat Board isn't shown on the list as being part—

Mr. Jim Robbins: The Canadian Wheat Board is not a member of the Farmer Rail Car Coalition. They act as logistics experts, advisers to the Farmer Rail Car Coalition, and they never have been a member.

Mr. Sinclair Harrison: Just further on the Canadian Wheat Board, they own 2,000 cars on behalf of western Canadian farmers. The board is there only because of their expertise in car ownership. They also administer another 2,000 cars that the Government of Canada leases on behalf of farmers. So there are actually 4,000 cars under their jurisdiction. They were invited to the table for their expertise, just as Mr. Churko and the Saskatchewan Grain Car Corporation was, and they have provided not for the marketing of grain, but for their car expertise. They have individuals within their organization whose sole purpose is to look after their fleet of cars.

Mrs. Bev Desjarlais: My understanding, though, is that they are strongly supportive of this proposal as being beneficial to cost-effective transportation for farmers.

Mr. Jim Robbins: Yes, they have been.

Mr. Sinclair Harrison: They've been at the table since day one. They've seen all our documents and understand them.

For confidentiality purposes, when other people are bidding against you.... We've been criticized for not being open and transparent. It's tough to show everybody your numbers and then sit down and go to an auction sale, especially when they have their hand in your pocket when they're bidding.

Mrs. Bev Desjarlais: A question came up with the rail line representatives when they were here, or at some point along.

I've been involved in a few of these discussions now, so I apologize if I go back and nobody knows that the heck I'm talking about.

There was a question as to whether or not it would be possible for your organization to operate these cars within the scope of CN or CP. We're already seeing that happen, where a rail line operates different cars for different companies. The cars the Canadian Wheat Board looks after, say the 4,000, are specifically their cars. They don't lease them to the rail lines—or do they lease them to the rail lines the same way?

Mr. Jim Robbins: They do. They lease them at no capital cost, but they're part of a common fleet, and that's certainly our intention too. We would lease these cars and they would go into a common fleet.

Mrs. Bev Desjarlais: So really, as far as that goes, the process of making it operate is not going to be any different from how it operates now.

Mr. Jim Robbins: No, though we would certainly do maintenance differently.

Mr. Bernie Churko: If I could, I'll add this. In terms of the North American market, over 60% of the cars are privately owned. Railway ownership is probably down to less than 40% now, so it's common in the industry to have private car owners work and interface with the railways in providing the cars in the fleet. There's a compendium of rules as to who is responsible for what and so on.

So it's not unusual to have a private owner in the fleet.

•(1710)

Mrs. Bev Desjarlais: And that doesn't just happen in the farm industry. There would be chemical producers and everyone else, and that's why we see all the different names on the railcars as they go by.

Mr. Jim Robbins: Yes, and of course it's important in rail operations that you not have cars so specific that it interferes with the distribution of cars to available loads, and we simply have no intention of interfering with railway operations.

Mrs. Bev Desjarlais: Thank you.

The Chair: Mr. Karygiannis.

Hon. Jim Karygiannis: Ms. Desjarlais, I'd say that 99% of the time we know what you're talking about, but I tend to disagree with you.

I need to clarify a number of things. One, have you been given any preferential treatment by Transport Canada, yes or no?

Mr. Jim Robbins: To our knowledge we have not been given preferential treatment. As I say, we've been working on this for a full nine years, and if we had been given preferential treatment, we would hope that it would have been concluded prior to this.

Hon. Jim Karygiannis: So in your best estimate, with respect to the treatment that was received by CN and CP, you and the other group, the splinter group from your organization, have received equal treatment.

Mr. Jim Robbins: The announcement of the sale occurred in Mr. Martin's budget in the spring of 1995, and we have been working on our proposal since that date.

Mr. Sinclair Harrison: Further to that, this is our 26th trip to Ottawa on this issue, so if we had received preferential treatment, we're either damn poor lobbyists or something's wrong. It's not from lack of trying, and we have met with Transport Canada; we've jumped through every hoop. I talked with officials in January and asked what else we could do, and they said to wait, so we're waiting.

Hon. Jim Karygiannis: I know you answered my colleague's question, but I just want to make it perfectly clear for the record that your organization—like the other organizations that are in this bidding game, if you want to call it as such—has been receiving equal treatment.

Mr. Sinclair Harrison: The government in 1995 announced that they were going to—

Hon. Jim Karygiannis: Hold it a second. Have you been receiving equal treatment? I'm the politician here, so let me do the dancing.

Some hon. members: Oh, oh!

Hon. Jim Karygiannis: Just answer the question for me. In your estimate—so later on someone doesn't pull the record out and say look at this—in your best opinion, has everybody been treated the same by Transport Canada?

Mr. Sinclair Harrison: Yes.

Hon. Jim Karygiannis: Fair enough.

How many organizations are there out west? You've been saying there's a whole bunch. You mentioned seventeen and four and everything else. How many of them are there?

Mr. Jim Robbins: Many. I couldn't give you a definite number. Of course, there are organizations that are neither allied with the Farmer Rail Car Coalition nor allied with the group you heard prior to us. I couldn't give you a definite number, but there are many organizations. Some function on a commodity basis and some on a general farm basis.

Hon. Jim Karygiannis: Would you say you represent 70% of those organizations? Would your membership be 40%, 60%, 70%, 80%, or 90%?

Mr. Jim Robbins: Well, as I said, there are a number of ways of trying to get at what level of farm opinion we represent. Of course, since this issue has been on the table for nine years, it's hard to describe this as a real barnburner issue in farm kitchens at the moment. It's been around a long time and farmers have lots else to worry about, BSE among them.

But certainly when Mr. Martin announced in his budget in 1995 that the cars would be sold, there was a great desire among farmers to address this issue. That brought all these organizations to the table, and they continue to come to the table.

We base our estimate of having a great deal of support on things like the fact that the general farm organization in Manitoba, KAP, supports us. They have a membership of several thousand people, an entirely voluntary membership. The National Farmers Union is an entirely volunteer membership. We have 4,000 family members, actually. In terms of individual members, it's much higher than that, because many families have two or three members.

Hon. Jim Karygiannis: I'll just pose the question again. In your estimate, what is the percentage of organizations, or farmers, that you are here today speaking on behalf of?

Mr. Jim Robbins: In our estimate, it's very high. We've said in public many times 90%—

Hon. Jim Karygiannis: Give me a figure.

Mr. Jim Robbins: —and I would stick by that.

Hon. Jim Karygiannis: Sorry, give me the figure again.

Mr. Jim Robbins: Ninety per cent.

Hon. Jim Karygiannis: Okay.

Are you solely representing the farmers in western Canada, or do you also have some interest in Ontario? How would your plan interact with folks who are farming in Ontario, and especially in Quebec?

•(1715)

Mr. Jim Robbins: We're open to discussions with anyone. We have had discussions with Ontario farm groups in the past.

Hon. Jim Karygiannis: Can you elaborate on those discussions in Ontario and Quebec, please?

Mr. Jim Robbins: When we first came into existence, we sought letters of support from a wide variety of farm organizations, also organizations like the port authority at Thunder Bay, for example. Many organizations did give us letters of support. They didn't become members, but they did give us letters of support.

Hon. Jim Karygiannis: You have a board of management, I take it?

Mr. Jim Robbins: We have a board of directors.

Hon. Jim Karygiannis: How many people is that?

Mr. Jim Robbins: Seventeen, currently.

Hon. Jim Karygiannis: Out of those 17, how many are from Ontario or Quebec?

Mr. Jim Robbins: None.

Hon. Jim Karygiannis: Are you intending to expand that “none” and get some in?

Mr. Jim Robbins: As I said, we certainly have done outreach to try to talk about this issue to eastern Canadian farmers. I would have to say we have not had much direct contact with Quebec farmers.

Mr. Sinclair Harrison: We have made the comment that we'll go anywhere anytime, providing somebody helps to pay our expenses, and we'll speak to anyone.

Hon. Jim Karygiannis: Would it cost us much?

Mr. Sinclair Harrison: We've sat down with the corn growers, the wheat growers, the soybean growers from Ontario, and we've had several discussions. We've also had some discussions with Quebec members.

Mr. Jim Robbins: But are we actively recruiting them as members? No, we aren't. This is a western Canadian fleet. It has been a western Canadian issue. We're certainly willing to talk to farmers who might have some interest in these cars, and we're certainly prepared to consider, after western grain is looked after as a first priority, that other grains in Quebec and Ontario could receive some service, yes.

Hon. Jim Karygiannis: In your estimate, how much of this movement of the fleet takes place east of the Manitoba border?

Mr. Jim Robbins: There is considerable movement, but it's Canadian grain going east.

Hon. Jim Karygiannis: How much? What percentage?

Mr. Jim Robbins: Can you estimate, Bernie?

Mr. Bernie Churko: I would say 2 million out of 30 million, so one-fifteenth, or more than 10% perhaps, would end up in Quebec.

Hon. Jim Karygiannis: And the stuff coming back, on the other side?

Mr. Bernie Churko: No, very little.

Mr. Jim Robbins: Western Canada has a very large pool of exportable grain. Ontario has a small pool, and Quebec, I think, has no pool at all.

Mr. Bernie Churko: If I could add, there are movements in Quebec or Ontario that are made in our Saskatchewan cars. There are internal movements to Quebec or Ontario, before they come back. So there are some of those.

Hon. Jim Karygiannis: The last question I have—

The Chair: You'll have time to come back.

We're going to move to Mr. Batters.

Mr. Dave Batters: Thank you very much, Mr. Chair.

I'm going to dive right in. This is an extremely important topic and it deserves some answers to some pointed questions.

Gentlemen, why should the FRCC get a \$150 million to \$200 million crown asset for \$1, when other parties are willing to bid on these cars? We have the FIP plan before us, and they're apparently willing to pay \$5 million a year for 20 years. Why should we not follow the recommendation that flowed from the extensive study by the late Mr. Justice Estey that cars should be sold at auction to the highest bidder?

I mean, 26 trips notwithstanding, if your proposal is the best, do you support an open, transparent tendering process?

Mr. Jim Robbins: We would like to negotiate the transfer to us. The reason we do not support an open, transparent auction is precisely because this will add costs to western grain producers. If those cars are sold at auction... Everyone has to be clear that those cars have been provided since as early as 1972 without capital cost to western Canadian farm producers. The moment those cars are sold, those costs will be incorporated into the revenue cap and into freight rates.

The reason we've made our proposal is precisely because we want a number of things. We want better maintenance, cheaper maintenance. We want a renewal of this fleet so it comes up to modern standards. And we want to do that without adding costs to farmers in western Canada.

Mr. Dave Batters: Couldn't all those factors, sir, be taken into account after an open tendering process by the Minister of Transport? Mr. Lapierre is a very capable individual. Couldn't he sit and evaluate, couldn't cabinet sit and evaluate the merits of all the competing proposals?

Mr. Jim Robbins: When those cars are transferred for money, the Canadian Transportation Agency legislation allows those costs to be taken account of in the revenue cap.

Mr. Jim Gouk: It's accounting.

Mr. Sinclair Harrison: In an open disposal process and no dedication to western grain, we could sell them to the highest bidder, maximize the return to Canada, and we'd have no dedicated fleet. We'd be right back where we were in 1972. Hopefully, we've learned something in the last 30 years—that we need grain cars, a well maintained fleet, to move grain out of Palliser and other constituencies to port.

• (1720)

Mr. Dave Batters: Do you have a commitment from the Governments of Saskatchewan and Alberta and the Canadian Wheat Board that you can get their cars for \$1?

Mr. Sinclair Harrison: No.

Mr. Jim Robbins: We do not, no.

Mr. Dave Batters: Gentlemen, the FRCC has been trying to obtain this fleet for some time. It's been a long, arduous process. We have talked about that privately. Who has financed the FRCC through this long process?

Mr. Jim Robbins: First of all, members have financed the FRCC. There are 17 members and all of them have contributed financially, in one fashion or another. We have also received some assistance from the Government of Saskatchewan. These are loans. If we do obtain the fleets, it would be necessary for us to pay these back through our business operations. We've also obtained loans and a small amount of grant money from the Canadian Wheat Board, as was discussed earlier.

Mr. Sinclair Harrison: And western diversification.

Mr. Jim Robbins: Oh, and the federal western economic diversification program has lent us money as well.

Mr. Dave Batters: You have already alluded to the fact that the Government of Saskatchewan has contributed significantly. The Canadian Wheat Board last week gave the FRCC a sum of \$25,000. That's in addition to a previous grant of \$85,000, and add that to a previous loan of \$50,000. So we're at \$160,000 from the Wheat Board, which will be repaid if you are successful.

But I think everyone in this room would like to know what happens if you're not successful. Why would our producers, who must market board grains through the Canadian Wheat Board, be on the hook for this money? Why are the Canadian Wheat Board and Government of Saskatchewan engaged in picking and financing favourite horses in this race?

Mr. Jim Robbins: There are a number of points of defence here. In the first place, if we're successful, of course, we believe that our plan and our proposal offer very significant benefits to western Canadian farmers. Of course, that's a reason why the organizations have forwarded us money, mostly loan money. They have equally been convinced that we offer advantages to our constituency.

But even if we are not successful, the Farmer Rail Car Coalition is the group that put this on the agenda in Canada. If the Farmer Rail Car Coalition had not become involved in this debate and had not pressed back on the simple proposition that these cars should be sold to CN and CP, they would have been sold to CN and CP long ago. So at the very least, the \$3 to \$4 per tonne that has been saved by western Canadian farmers over these nine years—because the decision has been delayed, if nothing else, and that means a very significant dollar to western Canadian farmers—that saving is attributable to the Farmer Rail Car Coalition's attempting to have these cars not sold to CN and CP.

Mr. Bernie Churko: If I could add specifically from Saskatchewan, it's the latter argument that my ministers make. Legislation has been passed—it's on the books—that had their cars been sold to the railway, they would have been financed at 75¢ a tonne. If you go back to the time that the legislation was enacted until today, we certainly get into over \$100 million that has been saved from producers by that action not having taken place.

The Chair: I'm sorry, Mr. Batters, last question.

Mr. Dave Batters: Okay, sounds good.

There have been a number of organizations, some of which were original supporters—the Saskatchewan Canola Growers Association, the Western Canadian Wheat Growers—that have withdrawn their support from the Farmer Rail Car Coalition. I would just like you to tell this committee why that is. On November 1 I attended the meeting in Winnipeg. I heard some of the arguments that your proposal is not commercially focused, not trade-neutral. I'd like you, in your own words, to explain why these producer organizations that were there from the beginning with you have pulled their support.

Mr. Jim Robbins: The best answer to this, Mr. Batters, is of course to have those organizations in front of you to tell you what they did and why they did it.

Mr. Dave Batters: To your understanding, why did they pull their support, without speaking for them?

Mr. Jim Robbins: I can't, of course, speak for them. All I can suggest is that we worked very hard to keep those organizations in place. For reasons of their own, they chose to withdraw.

Mr. Sinclair Harrison: One of the reasons that the Saskatchewan Canola Growers left, as they noted in their letter to us, was frustration. After eight years, they said, we have a lot of items to deal with at our organization; we've been there for eight years; we're going to go on to do some other things.

If you check the records, the Western Canadian Wheat Growers organization, which was at the table at the very beginning, went broke and was disbanded about a year ago. Out of their ashes grew another organization that also call themselves the Western Canadian Wheat Growers Association. When it's to their convenience, they tie the two together. But on other occasions they say, we have a different set of policies from the organization that was our forefathers'.

So it's convenient for them to say that we are the same, but they are different.

• (1725)

The Chair: Mr. Karygiannis, you have a question.

Hon. Jim Karygiannis: Mr. Churko, you said “my ministers”. Can you elaborate on that, please.

Mr. Bernie Churko: Certainly. The question Mr. Batters asked was about the Government of Saskatchewan. I think I mentioned, as I was introduced, I work for the Government of Saskatchewan. We own 1,000 and I manage that fleet on behalf of the government. So the question related to the Government of Saskatchewan, I tried to answer.

Hon. Jim Karygiannis: Sorry, I have a point of clarification to put to Mr. Gallaway. These gentlemen were invited by us?

The Chair: They were requested to appear, yes.

Hon. Jim Karygiannis: We have paid their way over.

The Chair: You know well, Mr. Karygiannis, that we pay for two to appear. We do that with all groups. All committees do that if they so request.

Hon. Jim Karygiannis: Thank you. It's fully clarified.

Mr. Robbins, you want to buy the hopper cars at a dollar apiece.

Mr. Jim Robbins: No, we wish to buy the hopper cars for a nominal sum.

Hon. Jim Karygiannis: What's the nominal sum?

Mr. Jim Robbins: We've suggested a dollar.

Hon. Jim Karygiannis: Sorry, the whole car for a dollar?

Mr. Jim Robbins: Yes, but could I give a little context here?

Canadian Pacific proposes that the status quo persist, that the cars continue to be leased to Canadian Pacific for nothing until the cars are no longer serviceable. At the end of that 50-year period—most of these cars will serve for 50 years—Canadian Pacific will have operated them without capital cost, if that's the option that's chosen. At least to date, it's more than 30 years that they've operated them without capital cost.

The difference between CP operating them without capital cost and our operating them without capital cost is not very large. The only difference is, I would submit, that by our proposal we think we can do better things with maintenance. We can do a more rapid and complete replacement of this fleet.

Hon. Jim Karygiannis: Why would you keep going after—

The Chair: Excuse me, Mr. Karygiannis. Mr. Harrison wanted to add something.

Mr. Sinclair Harrison: To give some history, in 1995 it was not only the railcars that were put on the block, there were ports and

airports. The minister of the day said we're getting out of transportation infrastructure. If you check the record, there were many ports transferred to port authorities for a nominal fee. There were many airports transferred for a nominal fee. There were many sold—

Hon. Jim Karygiannis: Mr. Sinclair, I can give you some horror stories regarding some of those airports and the way they've been treating people who were operating with them. Let's not go down that path, because you and I can sit here for hours.

However, let me ask the question again. You are here, actively soliciting that dollar per hopper car, whatever it is, and you've been getting funds from this, that, and the other, yet you have not lobbied, you have not gone after, you have not even solicited, if I'm not mistaken—and I stand to be corrected if I am—the Government of Saskatchewan about their including their hopper cars in your fleet.

Mr. Jim Robbins: We have talked to the Government of Saskatchewan about including those hopper cars. We've talked to the Government of Alberta as well. The Government of Alberta is not willing to do this. They've said that outright.

Hon. Jim Karygiannis: Why?

Mr. Jim Robbins: The Government of Saskatchewan is willing to talk to us about the transfer of their fleet.

Hon. Jim Karygiannis: Why is Alberta not willing?

Mr. Jim Robbins: You'd have to ask the Alberta government about that.

Hon. Jim Karygiannis: What reasons have they given you? You must have some correspondence with them.

Mr. Jim Robbins: They've simply said that their preference is to sell the cars.

Hon. Jim Karygiannis: Have you had any correspondence with them?

Mr. Jim Robbins: With Alberta?

Hon. Jim Karygiannis: Yes.

Mr. Jim Robbins: Yes, we've met with Alberta government representatives.

Hon. Jim Karygiannis: Is there any correspondence, letters back and forth, minutes of meetings?

Mr. Sinclair Harrison: Well, we can give you the dates of when we met with officials.

Hon. Jim Karygiannis: Do you have any minutes of the meetings?

Mr. Jim Robbins: No, these are not meetings from which minutes are taken. These are meetings with government representatives.

Hon. Jim Karygiannis: I thank you.

The Chair: Ms. Desjarlais, we're....

No, I'm sorry.

[Translation]

Any questions, Mr. Carrier?

• (1730)

Mr. Robert Carrier: No.

[English]

The Chair: Mr. Batters, and then Ms. Desjarlais has the last word.

Mr. Dave Batters: I have just a few quick further questions, Mr. Chair.

Gentlemen, if the FRCC is successful in obtaining the hopper car fleet, the hardworking and skilled workers in the rail yards in Canada—people such as those who work in the CPR yard in Moose Jaw—will be watching very closely to see who will get the maintenance contracts for these cars.

Can you tell us today, can you absolutely guarantee this committee, that aside from breakdowns that happen, as is the case, virtually all maintenance work on the hopper car fleet will be done in Canada?

Mr. Jim Robbins: Absolutely, we can give a complete guarantee.

Mr. Dave Batters: I appreciate that.

My second question—

Mr. Sinclair Harrison: And it'll be tendered. All work will be tendered.

Mr. Dave Batters: Perfect.

Gentlemen, what am I missing here? Why not simply lower...? The CTA is doing a study right now of what the true maintenance costs are on these cars. When that amount comes out we'll know the feasibility of your plan. We'll also know, for example, if it's \$1,500 a car, that farmers have been paying far too much for transportation for how many years. But once this figure comes out—and let's assume it's \$1,500, or let's assume it's \$2,000—why not simply lower the rate cap in an amount that reflects a lower adjusted amount for maintenance and then set aside the money saved for replacing the cars?

I guess I'm saying, under the status quo, why not do that—take the adjusted rate, lower it by that amount, and set aside the dollars for replacing the cars?

Mr. Jim Robbins: Well, in essence, that's our concept.

Mr. Dave Batters: But why do you have to be given the cars for \$1, for a nominal sum, and manage them? I understand you've put a lot of work into this, and you're to be commended for the work you've done, but this is a radical departure—this is a departure, at least—from the status quo. What would be the problem with maintaining the status quo and lowering the rate cap, setting aside the money to replace the cars?

Mr. Jim Robbins: There are difficulties with the status quo, several of which you've just mentioned. One is that no money is being set aside to replace the cars, and the other is that maintenance is being overcharged and at least some parts of maintenance are being underdone.

If we're trying to imagine a mechanism that would cure that...we have imagined the mechanism that would cure it. The legislation that

governs grain transportation does not allow for productivity clawbacks. When we're talking about how much maintenance is built into the revenue cap, what's built into the revenue cap comes from the 1992 costing review, with an inflation index added to it year by year by year. I think actually they put in some productivity, although it's a curious question why they would, because there is no productivity clawback going onto the revenue cap at the moment at all.

So there's no mechanism there. If the cars are transferred to us and we take over the management of maintenance, then maintenance clearly does not belong under the revenue cap. It's no longer a cost that the railways are incurring. So there is a mechanism there to pull maintenance away from the railways and to price it appropriately to a modern standard. That's point number one.

In the case of reserving funds to replace these cars, I don't see a mechanism through the CTA to do it. I simply don't see a mechanism to do it. We do, through our plan, have a mechanism that would allow this to occur.

Mr. Dave Batters: I want to thank you, gentlemen, very much for coming before this committee.

I remain of the opinion.... You've put a lot of work into this plan. If it truly is the best plan, that will emerge after careful examination of all the plans following an open, transparent tendering process. That's my opinion.

The Chair: Ms. Desjarlais, we have to be very quick now.

Mrs. Bev Desjarlais: Thank you. I'll be very quick. I just want to make sure I have everything clear.

Roughly in 1972 the Government of Canada, in order to address the fact that there weren't enough hopper cars to carry western wheat, put in place roughly 13,000 hopper cars to be leased at no charge to the rail lines to provide service to western farmers, isn't that right?

Mr. Jim Robbins: That's right.

Mrs. Bev Desjarlais: And what you want to do now is to put in place a better maintenance program and management program for those cars to ensure that they can be upgraded to benefit western farmers.

Mr. Jim Robbins: Yes.

Mrs. Bev Desjarlais: Why would I want to negotiate western farmers paying more money for cars if it means providing better service and less cost for them?

Mr. Sinclair Harrison: It's very simple math: every dollar more than we pay per dollar goes right into the freight rate. The railways say, "We're going to pay full market value, \$200 million, \$300 million". It's not them that's paying it; that goes directly to the freight rate.

And to your question: are we going to get them for a dollar? If we get them for a dollar, that's a benefit for farmers. If we have to pay \$100 million, it's not the railroads that benefit, it's going to be the farmers who pay the \$100 million. It's very, very simple math.

• (1735)

Mrs. Bev Desjarlais: That's good.

Mr. Sinclair Harrison: That's the bottom line.

The Chair: We thank you very much. I think we have explored the concept of the sum of one dollar and other good and valuable consideration, as is often said. We've also, I think, learned about the meaning of the word "imminent" in Ottawa.

We want to thank you very much for coming, Mr. Churko, Mr. Robbins and Mr. Harrison, on your 26th trip to Ottawa. Thank you very much.

Mr. Sinclair Harrison: It's a great place, but...decision time.

Mr. Jim Robbins: One of the benefits of getting Mr. Harrison here 26 times is that he has been introduced to the National Art Gallery.

Some hon. members: Oh, oh!

The Chair: Colleagues, thank you.

Now, I just want to point out a couple of general routine matters. With respect to the airline attendants matter, the documents are available and have been translate. If you have any intention of examining them, please advise the clerk, because we have a room set aside that is lying fallow if no one attends.

Secondly on Wednesday, we will be moving to a report on the hopper car issue. That should not take up the full time. We will also be discussing routine business with respect to travel on our airport study. I should tell you that a week today the department will come for a briefing to kick off the airport study.

Thank you.

We now stand adjourned.

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