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Summary: In his first interview, former director of corporate affairs/policy Paul Earl discusses the early years of his career in the 1970s. He begins by describing his work as an assistant to the cross-departmental Grains Group in the Canadian Government under Minister Otto Lang. He recalls touring the Prairies, and he shares the historical context for major grain issues at the time, like grain surpluses and an antiquated grain handling and transportation system. He lists some of the major studies of the industry, like the Hall Commission and Snavely Commission, and further studies done by the Canada Grains Council after the Grains Group was disbanded. Earl explains the findings of these studies, many of which pointed to the Crow Rate as the key factor in stagnating the industry's modernization, and he describes how the industry changed after the Crow Rate was removed. Another key issue he discusses is the Canadian Wheat Board's monopoly over transportation logistics, the lack of accountability in the system for errors, and the Canadian Ports Clearance Association's oversight of this monopoly in the ports. Other topics discussed include the development of the block shipping system, country elevator and branch line consolidation, the modern committee on the removal of the CWB monopoly, his work on the major State of the Industry report in 1973, and his working for a year at Canadian Pacific Railway before moving to United Grain Growers.

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Time, Speaker, Narrative

NP: It's November 22, 2012, and Nancy Perozzo is conducting this interview. I'll have the narrator introduce himself and indicate where we are sitting at the current time, and then we will begin what looks to be a very good interview.

PE: I'm Paul Earl, and we are sitting in the Drake Centre at the University of Manitoba. The Drake Centre contains the Asper School of Business of which I am an employee at the moment. At the moment, I am the acting director of the Transportation Institute. I am retired from my teaching duties about a year and a half ago.

NP: I would like to proceed with the interview going through your career and discussing with you some of the changes, challenges, about the type of work you did. Even before I do that, I'd like to ask a question about how you first became involved in the grain industry, right back at the beginning.

PE: The beginning was 1970. I had gone to work for a thing called the Canadian Transportation Commission—it was a long time ago—which was the forerunner of the current national Canada Transportation Agency. It's gone through several changes. When the CTC was first set up, which was about 1967-68, it was set up pursuant to a piece of legislation, the National Transportation Act in 1967, and it was funded to do some research, including research in the grain industry. At that time, they were focussing on branch lines, which was a big issue in western Canada. Just as I came there—I came there in December of 1969, almost before the dawn of recorded time—when I came there, just as I came there, the Grains Group, which was a small inter-departmental group that had been set up by the Trudeau Government under Otto Lang who was the Minister Responsible for the Canadian Wheat Board, they had set up this small group to examine grain policy, all aspects of grain policy, including transportation, production and marketing.

That group consisted of Otto Lang who was the Minister responsible for it and the coordinator was a man named Rod Bryden, who people will probably most remember as the owner of the Ottawa Senators, many years later. There were three principal advisors under Rod. Bob Shep was the man who was responsible for transportation. He had been seconded from CP Rail to perform this role. Esmond Jarvis was on the production side. He had been seconded over from Agriculture. He was an Assistant Deputy Minister, if I recall at the time. Then a man by the name of Bob Esdale who was in what was then called Industry Trade and Commerce, and he was head of the Grains Division. So that constituted the group.

Then there was both the money and two positions that had been established in the CTC to look at grain issues. Those positions and the money were transferred over to the Grains Group. The person who had hired me into CTC came to me in December 1969 and said, "How would you like to work on grain for a couple of months?" I knew nothing about grain, so I said, "Yes, sure I would do that." So I went over and met Bob Shep and that was the beginning of my involvement in the grain business.

NP: What was your background?

PE: At that point my background, I had taken my bachelor's degree was in civil engineering which I worked in the engineering business for two years in Toronto. I had always planned on going back to school, but I wasn't quite sure. I originally thought I would go back to school and study at engineering, but I decided that wasn't what I was cut out to do in life. So I eventually I almost didn't go back to school, but I did. I took a master's degree in transportation and economics. My supervisor was a man by the name of Dick Silverman. He moved to the CTC and hired a number of his better students to work there, and I was one of them. It was he who said, "Do you want to work on grain for a couple of months?" I said, "Yes, sure." So I went over and I met with Bob Shep and started to work on grain issues, particularly grain transportation issues with the federal government within the Grains Group. That was the beginning.

Now I have to tell you one more story, right, because it will eventually come up. When I was there, Bob Esdale, who was the marketing advisor to the Grains Group, had a conversation one day with Bob Shep, who was my boss. The civil service, of course, is quite hierarchical and Bob Esdale didn't have a whole bunch of time for me who was a junior bureaucrat, but he and Bob Shep were talking, and Bob Esdale said when he was a young man, he got the grain disease. That line has always stuck in my mind, for in fact working in the grain business tends to be much more than a career—the politics, the history, the economics of it, the operations of it are intensely interesting. Many, many people who get into the business get the disease, and they become very emotionally attached to it, in various ways. And that happened to me. I got the disease, too. And here I am some 40 years later, right? And have never been too far away from something to do with the grain business.

NP: Where did you grow up?

PE: In Toronto. That's something we will have to talk about. I may as well tell this story now because Bob Shep was quite adamant that people who were working on these issues had to go out to western Canada and see the facilities and system and get to know some of the people. My cohort, the person who I was working with, both of us reported to Bob Shep, was a man by the name of Peter Wickenden. Peter is now retired and living in Thailand. I lost contact with him for a long, long time and rediscovered him about 5 years ago.

So he sent us out. He arranged for several tours in western Canada. It was actually the three Pools—Manitoba Pool, Saskatchewan Pool and Alberta Pool. We went to each province and each company had arranged for us to go out and take a tour around the countryside and look at country elevators and so on. So where did this start? This started with Bob Shep, the Grains Group.

NP: And the grain disease.

PE: And the grain disease. Oh, yes. Toronto, that was it.

NP: Yes. Toronto, that hotbed of grain growing.

PE: Yes, exactly. So we were out on these trips. They were a couple of days each. It seems to me they stretched over a couple of weeks. We went from place to place. It might have been one week. I don't remember. We'd go out in the day and visit country elevators and then come back. Of course, they'd take you out for supper and there would be a certain amount of socializing and they'd say, "Where are you from?" I'd say, "Well, I'm from Toronto." Well, I'm not kidding it would not metaphorically but almost literally stop the conversation because the assumption was that a person from the east, and most particularly Toronto, could never, ever, ever understand the western Canadian grain industry. There's some truth in that but one can, if one gets the disease certainly and one moves here, one can.

NP: Yes, I think I've got the disease, actually.

PE: Ah, well. It's incurable. I don't know anybody who has actually been—that I know—who has been in the business who gets thoroughly cured and loses all interest in this business.

NP: When you were doing the tours then--. We have a particular interest in Thunder Bay because of the nexus of our project. Did you tour the elevators and grain handling--?

PE: Not at that time, not at that time I didn't. The focus of the work was the Prairie area and grain production and marketing and transportation in that area. So those tours didn't entail going to any of the ports. It was strictly the country. But very quickly after that, as time went on, I spent endless days travelling during--. I was there for five years in Ottawa. I travelled and travelled and travelled and went to Thunder Bay, went to Vancouver. I never went to Churchill, and Prince Rupert didn't exist at that time as a grain port.

NP: At the time you started with the Grains Group, was that the beginning of the Grains Group?

PE: Yes, I was almost a charter member. They formed it with the minister and the coordinator and the three advisors and then they began to draw other people in. On the transport side myself and Peter Wikenden were drawn in to work with Bob Shep.

NP: Because this was a federal government initiative and it largely dealt with western Canada enterprise, how was that received out west? How was the federal government group received out west?

PE: Prior to the establishment of the Grains Group, there had been--. I have to go back a bit in history. In the late '60s, there were new markets found for Canadian grain, primarily in the communist countries, China and Russia. Prior to those markets having been opened up, there was a chronic problem of congestion in grain elevators in western Canada. I won't say we were selling less than we were producing, but we had very large carry-overs from year-to-year. I won't say every year, but during the '50s it was really terrible. In the '60s it recurred, but then what happened in the late '60s was that the transportation system was severely constrained and began to break down, began not to be able to do its job. That was partly because of these new markets and the large volumes that were moved to the communist countries. But it was also partly because the grain industry was changing. If you go back historically what would happen was the grain would be grown. If I go back far enough, the grain's grown, it's harvested, it's moved to Thunder Bay and then it's sold. Right? And it was sold on what I would call an off-the-shelf basis.

They didn't know what they had until the harvest was done, and a great deal of it had been moved forward historically to Thunder Bay. Then Vancouver started to pick up later, particularly in the post-war years it began to pick up. But what began to happen in the late '60s was the whole business of what we call forward selling. So that you wouldn't just say, "I've got in Thunder Bay so many million bushels of [No.] 1 Red." They didn't call it [No.] 1 Red in those days. It was [No.] 1 Northern in those days. "[No.] 1 Northern wheat and so many bushels of [No.] 2 Northern. Who wants to buy it?" They would be selling ahead to say, "We anticipate this crop will be," so they would actually make contracts for delivery three and four and five months ahead, particularly with the communist countries. Those contracts sometimes went over a six-month period, sometimes longer as far as I know. You would have to talk to somebody from the Wheat Board.

When I was involved and saw they [inaudible] six-month contracts. So now you couldn't just say, "I've got it, come in and buy it." You had to say, "I've got it, and you want it at the end of October, so I have to get it there." And the transportation handling system, particularly the control of that, the logistics control, was not set up to do this. So, now I forget where this question started.

NP: The question was how was the insertion of a federal government group--?

PE: Right, right, okay.

NP: And you were also saying that prior to--.

PE: Yes, yes. So what happened in the late '60s—I remember now—what happened in the late '60s was that the grain industry itself began to realize that their system had to change, right? During the late '60s, they set up a thing called the Senior Grain Transportation Committee, which was composed of presidents and CEOs, people who could make decisions and in fact could override the way the system itself worked and say, “Look, we have the sale. We’ve got to bend the rules here and move this grain forward so we satisfy our customers.”

In addition to that, there was a little body set up called the Grain Transportation Technical Group [GTTG], which was worker bees in the industry—railways, grain companies, CWB, and so on—to examine the problems. The GTTG was responsible for the creation of a thing called the block-shipping system. You have probably heard of the block-shipping system, which was created in just a year or so before I got involved. So we are talking 1967, 68. It may have been either '68 or '69 was the first full operational year of the block-shipping system.

NP: Just before you go on, where was that technical group located.

PE: It was in the West. It probably met in Winnipeg because Winnipeg was the centre, but the companies and people were from all over who were on this technical group. Now, then I had people who told me at the time that there was a great sense of—what is the right word?—there was a great sense of enthusiasm about this because there were many people who realized that there were problems, right? So the fact that the industry had formed these bodies to actually address these problems created a great deal of excitement and enthusiasm, forward looking. That’s what some people told me.

Now then the Grains Group was formed, and I have one story that was told to me that at some point after the Grains Group was formed, we are probably talking about 1970. The GTTG was chaired by a man called Larry Kristjansen. I don’t know whether Larry Kristjansen is still alive. Is he? Yes, he probably is. The Kristjansen family, have you heard about the Kristjansen family? A very famous family of five brothers, all of whom got PhDs in economics and went on to various things. As fate would have it, I actually worked for Baldur Kristjansen in 1968-69 in East Africa where I had gone on a foreign assignment, and he was in charge of it. And I came back and met Larry. Larry was the chair of the GTTG.

And the story goes that he called the TG together and said, “We don’t need to meet anymore. Ottawa has taken it over.” The Grains Group subsequently-- I’m just pausing to say whether I will tell a story about Larry Kristjansen, and I think I will. I met Larry in 1970, and it was an event called, the annual meeting of a thing called, the Canadian Transportation Research Forum (CTRF). I went up to Larry and said, “Oh Larry, I’ve heard your name. My name is Paul Earl. I’m working with the Grains Group.” And Larry had been involved in the CTRF program that year. I don’t know exactly what it was. So he was there, and Larry looked at me as if I had three heads. When I told him I had worked under his brother Baldur, he said, “Oh, then you are in

bad company all around.” And he turned on his heel and walked away. I did eventually build up some kind of a relationship with Larry, but I had no idea what his animosity was sparked by, perhaps by the Grains Group itself. I don’t know.

NP: Or perhaps he just had a washroom call. [Laughs]

PE: I don’t think so.

NP: There was something going on.

PE: Usually you say, “Excuse me, I’ve got to go to the washroom.” But it was the dismissive comment that really was--.

NP: Was Baldur the one who went on to do international work beyond the one that he was doing when you met him? Didn’t one of the Kristjansens go on to Rome or something?

PE: No, that was another brother who worked for the FAO, Food and Agricultural Organization, in Rome. Baldur had had some international experience. He had been to Iran at one point and then subsequently took this year in Tanzania where I worked for him.

NP: So just to circle back to the reception, it sounds like it was not a welcome--.

PE: It caused a great deal of anxiety. The Grains Group, the people in it, tended to be quite aggressive, and the group itself tended to be quite aggressive. We’re here to solve your problems. This is covered for those of you, those people who are interested, I wrote a book about Mac Runciman. Mac Runciman was the president of United Grain Growers from 1961 to 1981. I wrote a book about Mac. Mac talked about the way the Grains Group was viewed in western Canada. As a young man, I was not terribly aware of this, initially. It was some time later that I began to realize how threatening the Grains Group had been to the industry.

NP: Those people who you mentioned who were on the group—Bryden, Shep, Jarvis, Esdale—did they have western roots, any of them?

PE: Esdale and Jarvis both did. They were from, if recollection serves me--. Esdale I’m less certain about. I’m almost certain that Jarvis came from a farm in Manitoba, had a farm background in Manitoba. And to be fair, I don’t think, I think the aggressive probably came to some extent from Lang to some extent, probably to a very large extent, from the Trudeau government itself, which you will recall was very, very interventionist and aggressive. We were going to solve many problems and bring in a brand-

new world. I mean those of us who lived through the Trudeau years remember that, right? We had the National Energy Policy to show for it. We don't have it, but we had it, past tense.

I think there was that sense of the Grains Group being threatening, I think, arose partly from the general attitude of the Trudeau government and probably partly because we were--. Aggressive perhaps is not quite the right word, but we were very proactive. There was no question about it. And certainly, on the transportation side, you have to recognize, we'll get into, this is the heart and core of my career. In 1970, the grain transportation and handling system, the western transportation and handling system was broadly dysfunctional and 30 years out of date. The vast majority of the country elevators that were in existence in 1970 had been built in the '30s or the '20s, some of them. They were sitting there old, and there were 5,000 of them scattered across the Prairies, and they were seven miles apart roughly, which was about the distance that a horse and wagon could go in a day. The return trip would be about 14 miles, about the distance a horse and wagon could go, and 5,000 elevators. This was just part of the discourse of the time that illustrated the fact that the grain transportation system had simply not modernized. It simply had not.

NP: Also, what about the rail fleet, rail lines playing into--?

PE: That's exactly where I was just about to go. There were dozens and dozens of little, short branch lines. And that was actually perceived at the time as being the problem. The branch line abandonment problem. It was certainly the thing in western Canada that raised the hackles. The Grains Group was going to come along and abandon all our branch lines.

Here's another little story for you. About 1972 or 3, about 1973 I think it was, Shep had gone back to CP, and there was a new person who was heading up the transportation part of the Grains Group whose name will come to me in a few minutes. What was his name? Anyway, it doesn't matter. There was an area just north of Brandon. Think of it as sort of a triangular piece of geography. The base would have been Winnipeg and Brandon and then north to the lakes, basically. And there were branch lines that were about seven miles apart. This area was the subject of a study by the Canada Grains Council about 1974, something like that. The Brandon Area Study was quite famous.

Anyway, we—our new boss and Peter Wickenden and myself—went out and toured this area. Some of these branch lines were unused. I mean, there were trees growing up through the middle of them. Grown men and women were saying, "This is essential. These branch lines must be kept. This is essential for local service *blah, blah, blah.*" It was an absurd situation. But people in the grain industry, particularly people--. This was possibly less true of presidents and CEOs—they didn't call them CEOs in those days, they called them general managers—were perhaps a little more appreciative of the situation. But if you talked to [inaudible] people, operational people, "Well, those branch lines, you just want to abandon the branch lines." The branch lines were a huge, huge issue. There were many studies subsequently—the Hall Commission, the Prairie Rail Action Committee. If you go through

the archives, you will find study after study about branch lines. Branch lines were not really the problem. They weren't the core of the problem, but they are what people focused on.

But to go back to the question, yes, the Grains Group was viewed very much as a threat because it looked as if Ottawa was going to come in and solve all the problems. And for a while, people were also fearful that the entire industry would be nationalized, which got talked about in the Grains Group but not very seriously and certainly it was never seriously discussed as an option. But it did come up, no question about it, and people were very fearful of it. As I say, I think there was some justification for the concerns in western Canada. The bureaucrats were going to come in and try to solve these problems, and these bureaucrats didn't understand western Canada, which I think was partly true. I mean people like Esmond Jarvis did, and I suspect Bob Esdale did, and Bob Shep—Bob Shep was not a Prairie person, but he had spent a long career with the railways and had spent time in Winnipeg and Calgary. So, I mean, he knew the industry.

NP: A couple of questions based on what you've said. First of all, you mentioned several studies that looked at Prairie branch lines. Did they all come up with the same recommendations?

PE: No, I would say they didn't. There were studies at different levels. The biggest study was the Hall Commission. When was that? 1975-76, the Hall Commission. The Grains Group spun off three major, major studies post '75, which was after I had left and working out here. The three areas that were attacked on a policy level and had to be resolved. The branch lines was certainly one. It wasn't the core of the problem in terms of the grain transportation and handling system, but it was a big problem nevertheless, because there were dozens of these branch lines, hundreds of miles of branch lines, many of which were simply unused and many more which were vastly underused. I mean, they should have been abandoned. There was no question about it. There should have been some major abandonments.

So the Hall Commission was one which looked at branch lines. And then the Snavely Commission was the other big one that looked at the Crowsnest Pass rates and how much money the railways were losing on it. And then the third major study which didn't attract nearly as much attention publicly—it did within the industry but not publicly—and had the least effect was a study by consulting company Booz Allen. Booz Allen was a big American company, and they were teamed up with a Canadian company called IBI from Toronto and they looked at the logistics. They looked at how the system was being managed, which was another part of the problem—the problem, the grain transportation problem, no question. I have a sense we are not going to finish this in two hours.

NP: That's okay. I'm here next week. Maybe we can set another. And it's not as if it's being padded. It's all good information. Snavely is spelled?

PE: S-N-A-V-E-L-Y I believe.

NP: The logistics report then. I'm familiar with the Crowsnest rate issue, the branch line issue. Logistics then, which was the Booz Allen report, what exactly did it deal with? And if you said it wasn't managed properly, who was doing the management of the whole logistics?

PE: The Wheat Board was. The Wheat Board was doing it. This all came out of--. I spoke about the GTTG and the block shipping system. You see, the way that grain movement was actually, physically managed prior to the block shipping system defies all explanation. There's probably nobody left in the world that actually lived it and understood it, right? How it worked, how it ever worked, just remains a total mystery to people who saw it. I came in after it was gone, so I never really lived with it, right? But I heard pieces of it. I heard how it worked because Bob Shep and the other major architect of the block shipping system was a guy by the name of Bob Martinelli who worked for CP Rail, and he is in Montreal. In fact, somebody you might be interested in interviewing. So I obviously got to know Bob Shep quite well, but I also got to know Bob Martinelli well as well. We will have to talk before we are done, even today about the State of the Industry Report. Have you heard about the State of the Industry Report?

NP: No.

PE: You must. You have to hear about the State of the Industry Report which Bob and I and two other people worked on. But to go back to the logistics system, what the block system did was massively rationalized the way grain movement was handled. What it did was it created a system which could handle and was designed to make the system serve forward selling and get the right grain in the right place at the right time. Just to give you roughly an indication, the CWB had always put out shipping orders for grain, right? In the old system, prior to the block shipping system in any given year there would be three times as many, two to three times as many, shipping orders issued as there were railway cars that moved. And at the end of the year the CWB would say, "The railways have messed it up. We issued all these shipping orders, and the railways didn't move it."

But of course, there wasn't that much grain to move. There wasn't three times the amount of grain that did move, to move. There was some because there was carryovers, but there wasn't three times as much. It was an insane system. I mean they had orders and orders and special orders and different kinds of orders. They would issue these things almost wholesale. So, I mean, how did the system work? Nobody can go back today and figure how that stupid system worked. It was absolutely insane.

Now, the block shipping system corrected a lot of that. The fundamental principle of the block shipping system was an order meant a car. If you had a shipping order you had a railway car that was spotted to carry that shipping order. This was

revolutionary. Think about it. Something that was so blatantly and stupidly obvious was revolutionary. Which gives you some idea of how stupid that pre-1967-68 logistics control system was. But it didn't solve all the problems because there were always periodic screw-ups, particularly at Vancouver, where the wrong grain was in position and the ships would line up. It happened repeatedly, repeatedly, and it happened repeatedly for multiple years after that, multiple years after that. In fact, when we came up to--. When was the--? 1996, was it '96? The winter of '96 when the grain transportation system got completely messed up. In fact, the CWB took the railways before the CTA, which was by then called the CTA, the regulatory agency, to say the railways did not perform. That's another whole story that should be told. I did actually tell it in a paper I did a few years ago.

NP: So that's the 1990--? We'll come back to that and go into it in more detail when we get--.

PE: Yes, we'll come back to that. Yes, on the third or fourth interview, the way things are going.

NP: We're still in 1970, [Laughing]

PE: So we are up to about 1969, which is about where we started in 1970. [Laughing]

NP: We were talking about the logistics. Because we are called Friends of Grain Elevators, we have a particular interest in how handling facilities other than the rural ones--. So, did any of these studies done by the Grains Group, how did the terminals fit into this? Was there a special study done of the terminals?

PE: There must have been at some time. There were studies upon studies upon studies throughout that period. You see, what happens broadly speaking, I can answer your question about terminals looking at a broader issue. The studies that the Grains Group undertook in a sense broke things open in the grain industry broadly. There had to be changes, the system wasn't working well. We knew that. The Grains Group did a series of studies up to 1973 and actually it was 71-72 when the Grains Group did its pile of studies—not talking about Hall, Snavely or Booz Allen yet. These were just Grains Group studies, studies that the Group itself did and commissioned.

We've done all these studies, what are we going to do with them? There was, well, there's still a thing called the Canadian Grains Council (CGCouncil). The CGCouncil had just been established at that time, and it was supposed to be a forum for the grain industry to address its problems. So all these studies were dumped onto the CGCouncil. The intention was that it would carry forward the work of the Grains Group and then, if you like, come up with solutions to the problems. Now, then the CGCouncil itself did a raft of studies that are probably in an archives somewhere. I have one or two of them here. It studied everything, and I don't honestly remember, but I can't imagine that there wasn't a specific study done on grain terminals at the time. I just don't

remember all the work that was done because there was study after study after study. From 1975 through to 1984, subsequently that was the height of the controversies about transportation.

In that period, the transportation handling system, including the terminals, was studied intensively, intensively by the grain industry and by these commissions, the two commissions of inquiry—the Hall commission and the Snavely Commission and the Booz Allen, which wasn't done under the inquiry legislation. It was simply a consulting study that was done. But the intention was, the hope was, that the CG Council would take on all these studies that the Grains Group had done and say, “Okay, now that we have done all this work, what are we now going to do? How do we solve these problems?”

The Council--. And again, the story of the Council is told in my book about Mac Runciman. Basically, it was impossible for the Council to be very effective mostly because of the politics of the grain industry because the core problem in transportation and handling—which includes both the country and the terminals and the railways and rail lines and so on—the core problem was the rate issue, was the Crowsnest Pass rate. That was at the heart of why this system stagnated. That was at the heart of it. There was really two prongs to why the system stagnated—one was the Crows Rate and the other was the tight regulatory control of logistics by the CWB.

The CWB had things so regulated that--. And I describe this situation in my book about Mac. It's also described in the State of the Industry Report that we haven't talked about, but we must, because it and the politics surrounding it and what happened was really a critical part of the ongoing story. But the story I tell or the situation I describe in the Runciman book is why a company--. I'm talking about the country elevator, a company that ran country elevators, right. By 1970 everybody knew there was way too many of these little, piddly elevators, and they moved grain in boxcars, one and two and three at a time. This is not the way you move a bulk commodity, right? You load it in 50, 75 cars, and you ship it to a single destination. That's the way you handle bulk commodities. And this wasn't happening, not at all. We still had a horse and buggy system.

I describe in the book, if a grain company said, for example, “I have five, ten elevators in this area, and I want to consolidate them into one facility, and I'll build a larger facility that I could load 50 cars, or 25 cars, or a 100 cars.” If they actually tried it, they would lose money. They would lose money, and they would lose market share, and they couldn't make it work. The reason in part was the Crow Rates because they couldn't go to the railways and say, “I'm going to do this a way more efficiently, so I want a break on my freight rate.” The railways would laugh. “What do you mean? You're already getting the Crow Rate and I can't give you a break on freight rates.”

But the other side of it was the way the CWB controlled transportation because every elevator depended upon the CWB to say, “Here are your shipping orders,” right? There were rules and regulations and a thing called the Bracken formula that determined

how many railway cars a country elevator could ship. There was no way under that system that a company could set up in the middle and say, “Now I want to ship 100 cars.” Forget it. It didn’t work.

NP: And how did the farmers fit into this, or did they?

PE: Of course, they did fit in. Again, this story to some extent is told in my Runciman book. The farm population was like the grain industry itself—ideologically divided, right? Massively ideological. There was two ideological camps. On the one side was the people who said, “The system is absolutely perfect. There is nothing wrong with it. We need all these little elevators. It’s convenient for the farmer. We like the CWB. We hate the railways, and it needs to be absolutely regulated and controlled.” Pools, CWB, and some percentage of farmers said that’s what we need.

In 1992, as late as 1992, it was around 1992-1993, it was during second sojourn with United Grain Growers [UGG], I gave a talk at an organization called GEAPS (Grain Elevator and Processing Society). I believe it was in San Antonio, Texas. But it may not have been. It may have been a different one. I didn’t frequently go to GEAPS because GEAPS was the operation people. But this one I gave a talk. They had a session on the Canadian system. There were two of us giving a speech. I was one, and there was a fellow from Manitoba Pool who did the other one. In 1992, he was standing up and saying, “We have this wonderful system. We’re so proud of it.” And I stood up and said, “We have a system that stinks and I’m ashamed of it,” in essence. This persisted for a long time.

Going back to your question, the farmers, you had—whether it was a majority, I don’t know—you certainly had a lot of farmers who supported the system exactly the way it was. But you started to get--. The questions began to arise in the late ‘60s and then into the ‘70s, where some of the larger, more commercial farmers were saying, “The system stinks. It shouldn’t be this way. I’ve got this big semi truck, and I can’t even weigh it in my local elevator because it is still set up for a piddly little truck, or even some of them, even the horse and wagon.” I couldn’t tell you how many trucks were illegally weighed because the scale platform wasn’t large enough to accommodate the truck, so they had to weigh the front and the back and add it up, which was illegal basically. How else are you going to do it?

So, farmers began to question the system and that voice grew louder. It grew particularly loud when what was called the Palliser Wheat Growers Association started up in 1973, I believe. It eventually became the Western Canadian Wheat Growers Association. They changed their name after a bit. They were very, very vocal, saying, “The system’s got to change.” That division lives on today although the left wing, the supporters of the tightly regulated, centralized system, are today very much in the minority.

NP: Before we move up to that story as well, back to the Grains Group.

PE: And the State of the Industry report.

NP: I have a question about the inner workings of it, influences. Oftentimes you have a person who actually runs the group, say Mr. Bryden, but they aren't necessarily the most influential. In your mind, what were the internal politics of the Grains Group? Who were the movers and shakers, the most influential, or was it a collegial thing where it was very much--?

PE: Now, you have to recognize that I was a young man so was not privy to all the tensions and rivalries and arguments that might have existed amongst the four. But my observation, recollection, was that it was an extraordinarily collegial group. It really was. We used to have meetings with the minister on a quite regular basis. Otto Lang used to sit in the middle of the table and Brydin and the other three, and this ever-growing group of people who were working on various aspects like myself and Peter on transportation and John O'Connor. I think John O'Connor took over directly from Bob as the director or whatever it was called at that time, the head of the Grain Division. I'm pretty sure he took over. Bob Esdale and Esmond Jarvis didn't completely abandon their responsibilities. They were seconded over. It wasn't so much a full-time thing. That's my recollection.

So Esdale was still running, managing the Grains Division, for example. Then Bob Esdale was eventually appointed to the CWB shortly thereafter, became a commissioner of the CWB. Esmond Jarvis went back to Agriculture. He eventually became the chief commissioner of the CWB, as you were probably aware. Bob Shep went back. The Grains Group fizzled after about 1973. They did these studies, and they continued to exist for a long time. I stayed two more years. For the 1973 period, I was very much involved with the Canada Grains Council. I spent six months coming back and forth, back and forth. I actually worked in Winnipeg five days a week, back to Ottawa for weekends for a period of six months. And then were other studies and then eventually the Grains Group got bureaucratized. It simply got taken over and lost its-- It was no longer the centre of the action.

NP: What was the outcome of that group during the time you were there? Obviously, a lot of studies were done, a lot of consultation. What changed? What changed in the system as a result of the work that was done?

PE: Very little changed specifically as a result of the Grains Group work. But what it started and facilitated and permitted was the Hall Commission and the Snavely Commission and, as I mentioned, the logistic thing is a whole other story. The Hall Commission got rid of a bunch of branch lines, no question. These should be abandoned, and they were. So they started, the Hall Commission started the branch line abandonment process. It didn't finish it, because what Hall did was said, "These should be abandoned, these should be kept and there are a bunch in the middle that we are not sure about," and he recommended that a new body be set up, and that body never was. I forget what he called—Prairie Branch Line authority of something like that—he

recommended set up, but it never was. Very rightly so. It left a bunch of branch lines in limbo. Then there were a whole series of studies after that. They would study an area and get rid of a few and study another area.

The Snavelly Commission which followed Hall, actually overlapped Hall to some extent, was the basis on which eventually the Crow Rate was terminated. But it took 11 years, because they--. Eleven years, yes. I think '73, the Grains Group had done its work. By '75 it was heading towards being moribund, but the Canadian Grains Council had taken over. The problem still existed. Lang appointed the Hall Commission and then the Snavelly Commission, and they took several years to do their work, and then by 1980--. Then following on that, they had the Gilson negotiations. Clay Gilson was a professor of agricultural economics here, and he was set up after the Snavelly Commission to say, "Okay, now get a group together of grain industry people to settle the Crow issue." So then there was the Gilson report, and that eventually became the basis for the 1984 Western Grain Transportation Act which terminated the Crow Rate. And that was really the beginning of massive change.

NP: So what impact did termination of the Crow Rate have on--? Or did it have any impact on the direction of shipments?

PE: I don't think it had a great deal or great impact on the direction. The direction of shipments was established. I can see where you're going, what happened to Thunder Bay, right? [Laughs]

NP: Well, and I know what happened to Thunder Bay, but a lot of people, I think, have misconceptions about the Crow Rate's impact on what happened to--.

PE: Right, right. I don't think it had a big impact because the--. It was the markets, and as you go back far enough, it was the Panama Canal, right, that made Vancouver a viable and a really strong competitor to Thunder Bay. But the—excuse me—the change of the Crow began to drive changes in the transportation and handling system, but you can see the timing. I mean, 1970, we have a problem. By 1972, the Grains Group has done some work. By 1975, the Canada Grains Council has done some work. By 1976-77, we have the two commissions of inquiry. I forget when the Gilson report actually was, but it would have been sort of late '70s. Probably about 1980, Gilson presents a package to the government and says, "If you implement this, people will accept this change, this massive change to the Crow."

In 1984, you finally get the Western Grain Transportation Act, and that's when--. The transportation, when that changed, you finally start to get market forces acting on the system, the whole system—the country, terminals, everything. Then you start to get this rationalization. But it's 1990 before these really start to bite, and then you have the '90s, which is a massive, massive change in the handling and transportation system. This sort of massive rationalization, new facilities built in the country, and then the

changes in the industry itself with the Pools disappearing and Agricore United disappears. Now we have Cargill, JRI [James Richardson International], and Viterra, and Viterra's disappearing, so this massive, massive change.

NP: Am I correct in summarizing that the Crow Rate really did not have that much impact on a direction of shipments?

PE: I don't think it did.

NP: And when you're talking about when it actually comes into effect, along with other things, the other thing that's happening there is the shift in markets, big shift in markets. Almost a big shift in markets, which is occurring about the same time.

PE: Exactly, exactly. Yeah.

NP: Yeah.

PE: Because the Panama Canal makes shipments to Europe—which was the big market—possible, right? But then '60s and '70s, the East opens up.

NP: Yes, but at that point in the Thunder Bay area, the Russian sales are going strong.

PE: Yes, exactly.

NP: So when that ends and the increasing markets from the East--.

PE: Right, right. And shipping east is more expensive, right, because you have all the multiple handlings down the lakes.

NP: Well, even just the Seaway charges.

PE: Yes. You've got to take it to Thunder Bay. You've got to load it on a ship, and it goes down, and it's reloaded. It's expensive.

NP: I don't know, and maybe you do know, whether--. There are certainly those costs shipping east, but then the costs of a busier port out west and sitting around for days waiting, I'm just wondering if anybody's done a study of whether those really have much of an impact, or that, again, it's just the proximity to the major markets. I don't know. Are you aware of any shipping transportation reports that sort of compare that?

PE: You know, this whole system was studied to death repeatedly. There are studies on the eastern system, and there are studies in Vancouver. To be quite honest, I've forgotten them because there are so many. As time went on, they became less relevant to what I was doing specifically. So I can't answer your question: Was there a study ever done about the costs. I'm sure there must have been studies done on the cost of delays, but frequent and serious as the problems in Vancouver were--. They were repeated. There's no question about that. The system would keep getting messed up, and you could trace that back too, largely, to the Wheat Board's control of the system.

NP: To the logistics issue?

PE: To the logistics issue, exactly. So, you see, what happened on the logistics side was sort of a snapshot history again. The Board's control was a big part of why the system was dysfunctional. The block shipping system improved things enormously. I mean, they made the system at least functional, as opposed to its massively dysfunctional--. It created a system that could at least handle forward sales, but it was still a tightly controlled system. And above all, what the Board's control of it did was it destroyed any accountability in the system.

To give you an example of what I mean by that—and now I'm talking '70s, '80s—this was not a chronic problem, but it was a critical problem that happened at various times. The Board would want a high quality, No. 1 Red Wheat, 13.5 percent protein. They need that. They've sold it to somebody, so they need it at Vancouver. So you come back to the country elevator, and the guy says, "I don't have any No. 1, but I've got No. 2." [Laughs] So did he misreport his stocks? Well, who knows. But anyway, you get an order placed next to his elevator for No. 1. He maybe has it in the house, but he's got way more No. 2, and he has to get rid of it, otherwise he doesn't have any space. So he loads the No. 2, and it's gone. Disappears, right? And it arrives at Vancouver. Well, we thought it was going to be a No. 1, but it's a No. 2.

Now, there were periods when this would be a very critical problem. This would be a lot of low-grade wheat stuffing the system unsold that the elevator managers in the country want to get rid of. So they do it. They load their No. 2 on a No. 1 order, and of course, the wrong stuff is at Vancouver. The Wheat Board gets in a big stew and a big fuss and angry as hell.

I was actually at a meeting one time when this had happened in spades. There was a lot of the wrong stuff shipped. And they used to have a meeting of the boiler workers, the guys who actually issue orders. The guy that was the head of the Wheat Board transportation system, his name was Mike Martin. Mike Martin stormed into the room and slammed his stuff down on the desk and raged about this problem. And the rest of them were in--. They were laughing. This was the funniest thing they had ever seen because they had gotten back at Mike.

Now, Mike Martin was a very, very vindictive guy. He used to hold court over in the Lock, Stock, and Barrel. Every Friday night he would go over there, and all these guys that had to come to him for shipping orders from the Board would come and pay their respects basically, right? Gather around, and he would sit in the chair like King Tut while these people metaphorically kissed his ring. I think that's a mixed metaphor, isn't it? King Tut didn't have a ring, but you get what I mean, right? So to see him now suddenly after he's done all kinds of capricious things to get back at people who he feels have not lived up to-- This was wonderful to them because—the point that I'm getting at—no accountability. No accountability. There was no way of going back to that elevator manager and saying, "You loaded the wrong stuff, and you're going to suffer for it."

They had a penalty system, but the penalties were self-cancelling. If company A shipped 20 percent of its stuff wrong and company B shipped 20 percent of its stuff wrong, they both got penalties, but the penalties washed. It was a stupid, stupid, stupid system. There was no way of enforcing—how shall I say—the discipline on the system.

NP: And why was that? Why was there no way?

PE: Because what do you do? What do you do about this guy? What do you do about the company and the elevator manager who shipped the wrong stuff? What are you going to do?

NP: What did they do?

PE: They had this stupid penalty system that was self-cancelling.

NP: Yeah, and--.

PE: They just went through crisis after crisis after crisis and eventually would work their way out of it. In contrast, if you think about the company that's selling canola. Now it's my company's sale, and it affects my company's bottom line. The Wheat Board, that's their problem, right? Once the grain is shipped, that's the Wheat Board's problem. It's not the company's problem. There's no way of coming back to the company and saying, "Your guys shipped the wrong stuff." If it was your own stuff, which canola was, you ship the wrong stuff, you're harming your own company. You do that too often and you get fired, right? [Laughs] So I mean there was commercial disciplines on the non-board side that weren't there on the Board side. And because there was no commercial disciplines, you would have these periodic screw ups. I mean, the same dynamics would happen at terminal elevators as well—less easy to illustrate, but it's somebody else's grain. What do I care?

NP: Yeah, and in Thunder Bay--.

PE: “They pay me a handling fee, and that’s that. If the wrong stuff comes into this end of my terminal elevator, it’s not my fault. I didn’t ship it.” “Well, your company did.” “Ah, it doesn’t matter. You issued the orders.” “Well, I issued different orders.” Well, they had the penalty system. Everybody knew it didn’t work.

NP: Yeah. And no chance of saying, “Well, you’re not going to be shipping out of that unit then for, you know, two years.”

PE: No. Well, that was the penalty system was--. Well, no you couldn’t because the farmers delivered their grain, and the Wheat Board eventually needed it, right? And the Wheat Board was also constrained in terms of having to equalize the delivery opportunity for every farmer and make sure that every farmer got a chance to deliver his grain into the elevator system and *blah, blah, blah, blah, blah*. At another level, there were social issues or social goals which were driving the way the grain was handled because you had to equalize delivery opportunities through the quotas. It was a very complicated system. It didn’t work. [Laughs] Commercially, it worked very poorly because there was no accountability and no commercial disciplines in it. That was the problem.

NP: It would be interesting to see, from what you’re saying, whether there was a difference between the problems that they got into in Vancouver with not having the right stocks to meet the customer’s needs, if there was any bearing at all on the ability to cooperate between companies. Because in Thunder Bay, there were so many companies represented that there actually were situations where companies handling Wheat Board grain would call up the manager of another company and say, “I’m short on this order, so can you--?” Those kinds of shortages that were an issue in Vancouver may not have been a similar situation in Thunder Bay, not because the deliveries were any different, but because there was a lot more possibility for covering up the differences.

PE: Yeah. I don’t believe this exists anymore. There used to be a thing called the Clearance Association.

NP: August 31st, their last--.

PE: Okay, so they’re gone, right?

NP: They’re gone.

PE: Now, the Clearance Association, I have to go back a few years when I was actually involved in it, right?

NP: What was your involvement in it?

PE: Well, not with the Clearance. I mean involved in the business.

NP: Yeah.

PE: And close to the operational side of it, which I haven't been close to the operational side in quite a while because I got more and more involved in policy towards the end of my career, and the 10 years I've been here, I just haven't been involved in it very much at all. But the way the Clearance Association worked was once the grain was cleaned and ready to ship, it all became common stock, and that was true of Wheat Board grain and non-board grains. A ship would come in for canola that, say, JRI made the sale. It didn't have to go to JRI's elevator. It could go to any elevator because once the stock was ready to load, the Clearance Association essentially pooled it all. That's the way it worked, or that's the way it used to work.

NP: Yeah. I know that that's the way it worked for wheat. I'm not certain that's the way it worked for everything.

PE: That's the way it worked for canola as well.

NP: Yeah.

PE: They tended not to--. See, at one time I worked on a system of railway car pooling at Vancouver because the canola cars used to come in, and they had to be--. If it was UGG originated, it had to go to UGG elevator. For a period, I developed a system where they didn't have to do that because a car of canola is a car of canola. So just unload it and trade the paper afterwards. So the industry fought this fairly vigorously.

NP: Fought--?

PE: Against that idea fairly vigorously. "No, I have to have control of my own stocks, *blah, blah, blah.*" And what they didn't tell you is once the grain was cleaned and the paper was put on deposit at the Clearance Association, it lost its identity anyway. It took me a while to sleuth that out that that was going on so that these--. I remember there was a guy at UGG, a very colourful character at UGG at Vancouver whose name will come to me as well. He used to say, "Oh, you're going to have the rapeseed all over the port like a madwoman's wash," he said, [Laughs] But they did eventually accept it, and then it went on for a period. Of course, now it's all irrelevant because the shipments are the way they should be—multiple car shipments, one origin, one destination.

NP: I know we've skipped ahead now to August 31, 2012, but we may not come back to it, so I'm interested in your comments. In learning what the Ports Clearance Association did, certainly in the Thunder Bay area, it was a real asset to Canada meeting its customers' needs as quickly as it possibly could.

PE: Yeah.

NP: So I'm interested in your comments on with the absence of that group to sort of speed up the loading and take care of shortages in one elevator versus another, what fills the void? Or has the system changed to such an extent that there will be no void?

PE: That's very difficult to say because I'm not close to the operational side now. I know that it works. Because we're single origin, single destination, large shipments, fewer companies, it has to work better than it did, okay? [Laughs] But on the other hand, I cannot imagine that it works so well that there might be a time when JRI is out of grain and Viterra or somebody is sitting there with canola in their elevator, right? I know what they do in those circumstances. What they'll do is they'll phone their friends, "Look, I'm out. Can we do a purchase on sale? I'll buy the grain from you, and as soon as I get mine, we'll sell it back." That worked all the time.

That even worked with the Clearance Association because although the grain is in a pool, JRI could have no claim on that pool if they've shipped all their share of it out. So then along comes their next vessel. They still have to go through the purchase and sale, but they were purchasing and selling—what did they call it?—transfer certificates rather than actual--. I think that's what they called it. When the grain goes into an elevator, you get a warehouse receipt. The warehouse receipt says, "In my elevator, you have so many tonnes." The warehouse receipts would go on deposit at the Clearance Association, and then what you'd have is say, "You have so many tonnes of grain in this pile, which the Clearance Association can now pull the grain from any elevator. But if it's your ship, you have to surrender that many transfer certificates." So that's the way--. At least that's the way it used to work. Things change.

NP: Yeah. Are you familiar enough with the systems in other countries—let's say either Australia or the US, for example—because from my perspective, which could be completely wrong, our system as it's unfolding now will be much more similar to the US system.

PE: Probably, yeah.

NP: Is cooperation between companies--. In say the American system, are they likely to call up the guy at the next elevator and say, "Hey, I can't meet this shipment, can you--?"

PE: You know, I don't know the answer to that question. My perception, which may be quite wrong, is that the facilities are larger and more isolated from one another. I don't know that.

NP: Depends on the location, I would say.

PE: It probably depends on the location. But I mean, you know, Thunder Bay, *ch, ch, ch*, they're all next to each other, right? And the same in Vancouver, basically, one elevator's right up against the other or across the bay. I just don't know how it works in the States, so I can't say.

NP: This will be interesting. You may be far removed from it now and not be aware, but is anybody studying what the fallout is from all of the changes? Like is there anybody on top of this, "Okay, we know these are the changes. It's not going to change back, but the least we can do is take a look at how things are unfolding so if issues arise, we don't have to wait 50 years to fix them"?

PE: I can only tell you this. I have to be just a little careful here. There was a committee set up by the federal government to advise on the changes to the Canadian Wheat Board. The Wheat Board's going to disappear, so how is it going to work? I was on that committee. There's a book called *Ending the Crow Rate* by Arthur Kruger.

NP: Okay.

PE: Okay. And Arthur Kruger was the Deputy Minister of Transport and was responsible for ending the Crow, the 1984 legislation that ended the Crow. That process, which is described in Arthur's book, was incredibly detailed. They studied every last thing that could happen because they knew that ending the Crow Rate was a very major policy and operational change in the grain industry. This was going to have considerable implications.

NP: So this was prior to it ending or once it ended?

PE: Yes, prior to it ending.

NP: Okay.

PE: Okay. Arthur and his team did a lot of work to make sure that the transition was smooth, right? Now, you never identify everything, right?

NP: Right.

PE: It's the iron law of unintended consequences. "We forgot about that." But they really studied it. The group that studied the end of the Wheat Board met for about two months. I was very concerned about that process. I was on the committee, and I kept saying, "We need to do more work on this." And it was just dismissed. We met, I don't know, five, six times on this committee, and then the deed was done.

NP: Who was on the committee besides you?

PE: Was it ever made public? I'm sure it must have been. They issued a report, and then the report became a public document. Who was on it? God almighty. Fatally, the Wheat Board was not on it because the Wheat Board director, you know, those eight people farmer directors of the Wheat Board who decided to go down with the ship prohibited Ian White from being on it. In fact, the original concept was that it would be co-chaired with Ian White and John Nublely, who was at that time the Deputy Minister of Agriculture. And the board said, "No, you can't do that."

NP: So was Nublely on it?

PE: Nublely chaired it. Nublely chaired it, and then he had some other bureaucrats who were helping him.

NP: And you. Nublely, you, and--.

PE: I was on it, and there were a series of grain companies and farmers representatives that were on it. I honestly forget the exact-. You could get it, I'm sure, but I forget who exactly was on it. But I mean, it was a minimal effort to really plan this. So what's happening now in the industry? I really don't know. I mean, I'm not part of it, so I don't know what's going on. But I can't imagine that there's not going to be screw ups on this because it was done, *bang!* That was it. The party line was, "Well, the companies will work it out. The companies will work it out. There will be new contracts, and the companies will work it out." Well, they will, yeah, eventually, but how it's actually going is quite--. I'm just not part of it, so I don't know.

NP: It will interesting to know if somebody's, even at the university, is --.

PE: As far as I know, no, but I don't know that for sure. I mean, somebody should be. Our organization, the Transport Institute, could be doing that, except we're reinventing ourselves right at the moment, so we're--.

NP: Well, put it on the list for a student project. [Laughs]

PE: Oh, it is on the list. It's on the list already, but there just at the moment isn't the people or the time to do it. So yeah, it should be on the list, but it's not. I mean, sorry, it's on the list, but nobody's working on it right at the moment.

NP: List, but it's not--. Yeah. Yeah.

PE: We're going to have to--. I have no problem about doing this again, okay? We can do it again. Today is--. I'm going to have to stop this at some point.

NP: Okay. Well, let's talk about when--. I'm just going to--.

PE: Oh, no, no. Don't turn it off yet.

NP: I'm just going to pause it.

PE: Okay.

[Audio pauses]

NP: Finish off the--. I'll just restart us. So we just finished a brief discussion of how we're going to progress, and Paul would like to wrap up some outstanding issues from the 1970-75 period.

PE: '73 to '75, right.

NP: '73-'75.

PE: You see, in '73, the Grains Group had done its work. I think I said this before, and there was this pile of reports. And then it was turned over to the Canada Grains Council to carry on more studies, which they did.

NP: Who headed up the Canada Grains Council at that time?

PE: Who headed it?

NP: Mmhmm.

PE: Don Dever was his name. D-E-V-E-R. There is actually a little document you should--. Are you having both a printed archive as well as these--?

NP: Yes. Or scanned, trying to get most things digitally scanned.

PE: There was a little orange booklet—which I have, and I’ll show you a copy of—because it was one of the--. The Grains Council then did these annual meetings, well, had these annual meetings anyway, but then the transportation and handling issues became a large part of their annual meetings. One was the minutes, the proceedings, if you like, of this meeting specifically on grain handling and transportation, and it’s something you should look at because it’s--. But in any event, when this pile of studies was turned over to the Grain Commission--.

NP: Grain Council?

PE: Grain Council, rather, sorry. It was turned over to the Grain Council, and they recreated bodies that paralleled the--. Remember I spoke about the Senior Grain Transportation Committee and the grain transportation technical group? Well, they basically recreated that, and they had a senior committee, which was basically the same players that were on the Senior Grain Transportation Committee back in the ‘60s. So it was all the grain companies and the railways and the Grain Commission and everybody that’s involved in making--. And then they created a working group with the technical people from all these organizations.

“Well, what are we going to do with this pile of studies? Well, we’ll have to study them first, so we know what’s in them.” And they did exactly that. They broke into subcommittees. “Now, you look at this, and you look at that, and you look at the other.” Well, I’d participated in most of the Grains Group studies, so I was kind of a floater and was there as kind of an advisor to each committee saying, “Yeah, this is what we did,” and so on.

But somebody said at one of the early meetings of the senior committee, “We should have a study that’s kind of like the State of the Art, or maybe the State of the Industry. Where are we at?” So they did this. They created this little committee of four people, and I was on it. And it consisted of myself, the guy I mentioned before, Bob Martinelli from CP, a guy by the name of Jack Candlish, who was from United Grain Growers, and then there was to be a Pool representative. And the Pools were very apprehensive about this. Very apprehensive. They ended up—what was the guy’s name?—they ended up appointing to the committee a very junior person, which was a mistake because this guy really didn’t have the background and depth of knowledge and the analytical abilities to really see the picture we were trying to create.

The guy that was my boss, whose name was Howard Easton—he was the guy who took over for Bob Shep as the transportation advisor in the Grains Group—and Howard Easton said to somebody, “You know you sent this little committee off to a room thinking you’d just get a picture of the industry, and it’s going to come out like a raging bull.” And essentially it did because what we did, what that committee did was we put a finger right on the real problem, which was the Crowsnest Pass rates. That was what was the heart of the problem, and we identified that and said, “The Crow Rate has to be dealt with.”

Well, this was heresy in the grain industry. You didn’t talk about the Crow Rate in those days. You just didn’t talk about it. Almost literally you didn’t, and if you happened to think that it should be changed, you kept your mouth shut. I mean, it was almost worth your job in some places to say, “The Crow has got to go.” This committee said, “The Crow has got to go,” and said it very gently. And at the end of the day---. And here’s where a guy like Bob Martinelli would be very helpful to you because Bob has an encyclopedic memory for detail that I do not have. I forget details.

But I can tell you this. We met for three months. We started in January of 1973, and we met every week. Every week we spent five days in Winnipeg, and then I would fly back, and Bob Martinelli was living in Montreal by then, and back and forth we would go. The guy from Regina, back and forth he would go. We would start Monday morning, and we would discuss, and we would write, and slowly this report took shape. When it actually came out---. And we interviewed a lot of people and talked to a lot of people. But when the report came out, I mean, it very nearly destroyed the Council because we came out saying, “We’ve got to handle the--.” And it was a thick study. I don’t remember how many pages. But the core thing was the Crow’s got to go, right?

Well, the Pools, they would have no part of this. They were going to leave. That was it. They were going to quit the Council. The guy that stick-handled it through was Mac Runciman who was---. I mean, Mac just stood head and shoulders above everybody else in the grain industry. There’s no question about that. He was chairing the senior committee. He eventually stick-handled this through, and I can remember standing on the corner of was it Rory and Main Street talking to Mac. And he said to me, “You have to make these changes, and if you make these changes, this report will fly.”

So the committee went back. I can't remember what the changes were. I can't recall that, but we went back, and we made those changes. The report was so controversial. Even with those changes it became controversial, but it was the first report from the grain industry that said, "The Crow is at the heart of the mess. You've got to change the Crow. That's why we've got country elevators that are 30 years out of date, why new ones haven't been built, why we're still running a logistics system that was built for the horse and wagon. It's because of the Crow. There's no commercial incentive in this system because you've destroyed it." So the State of the Industry Report, it was a really controversial but influential report. It went through so many printings. It was the most widely-read report of the Canada Grains Council because they did tons of studies after that. It went on and on and on. I probably have a few of them.

But 1973, the State of the Industry Report, doing it, it was finished by March. I think, actually, the draft was March, and it was probably about May or June before the final report was put together. And then during that winter, the winter of '73-'74, the three of us who worked on it were giving presentations about it and talking about it. That report really put its finger on where the change had to be.

NP: You said there were two things to finish off. One was the State of the Industry report, and what was--? Was there another issue related to the finish of your time with the federal--? And with the Canadian Grains Group?

PE: No, that was it really. Then I went back to Ottawa, and the Grains Group has really finished its--. It was broken on the wheel sort of thing.

NP: So I have a question. It may be a silly one, but if the Crow Rate was the problem, what's the problem now?

PE: Ah. What's the problem now? Well, the problem, that's where we get into logistics, I think.

NP: Okay.

PE: So looking ahead, here's the story, right?

NP: Okay.

PE: I'll tell it sort of from my perspective, where my career went. Actually, I spent a year--. I came to United Grain Growers in May of 1975, but it's not in my CV I don't believe. But I spent—it might be—I spent one year with CP Rail. I actually left the Grains Group in '74 and spent a very unhappy year with CP Rail. That wasn't CP Rail's fault. That was personal problems that I

had. It was a year from hell. But working in Montreal personally was not going to work for me personally. I didn't fit in CP very well, to be quite frank. That organization, I didn't fit in at that time. I don't know what it would be like now. I've changed. It's changed, but at that time, it and I were not very well suited.

Besides which, I had this grain disease by this time, right? Actually, United Grain Growers had approached me in '74 to come and work for them, and then they withdrew their offer. I might as well cover this because--. And I think we're far enough away from this I can tell these tales now. United Grain Growers up through the '50s and into the '60s was probably one of the best managed companies in the business from what I'd heard about it, okay? Their general manager was a guy whose name—again, senior's moment—but he's in my book. He retired. They had not paid, I think, sufficient attention to succession, and the guy they put into that position, his name was Wachal, John Wachal. I imagine John is dead by now. John was very weak. He was extremely weak.

And what I was subsequently told with a good deal of confidence at the time was they decided not to hire me because they thought John Wachal probably couldn't manage me because John Wachal really wasn't managing the company very well either. So a year later after things were--. I was not, as I said--. CP that '74-'75 year was extremely difficult for me personally for things that aren't important here, and I didn't fit the company very well. So I contacted UGG again, and I said, "Look, I'd love to move, and I'd really like to come west, and I want to get involved in the grain industry." So they said, "Yeah, I think the time has come." So then I moved to United Grain Growers and moved there just at the very time--. I'll tell one more story. One more little story. [Laughs]

NP: Okay. But before you tell the story—and don't forget to tell the story—my question was if the Crow Rate was the problem, and it was fixed eventually--.

PE: Yes, sort of. [Laughs]

NP: So what's the problem now? Or is that a story for another day?

PE: That's a story for another time because the problem subsequently, right, the problems, there were--. What was messing up the system for so many years, it was really two-pronged. There was the Crow, and there was the logistics—and the tight regulatory control of the logistics. And really, to make the system function properly, you had to address both. The Crow was what one of my old bosses, Ted Allen at UGG, used to call the keystone of the arch. You pull that, and the rest would come down. And he was right, but boy, there was probably two keystones, really, and the other one was the logistics. That is part of our ongoing story. That didn't get addressed until--. I mean, there was the Crow. There was the Hall Commission, Snavelly Commission, the Booz

Allen, and then ultimately five years later the Grain Transportation Agency. Okay. And that takes us into the problem now, if you will.

NP: Okay. Mmhmm. So your other little story?

PE: The other little story, the other little story. The other little story--. Oh, dear. Now it's gone out of my mind.

NP: You were talking about how you had gone to UGG and said, "I would like to move here."

PE: They gave me that position and, and, and--. Oh, dear me. It's gone out of my head.

NP: Well, let's leave that for next time because then we're moving into your UGG.

PE: Right, right. Oh! I remember the story. [Laughs] Yes, yes. I was--.

NP: And do you mind if I take a couple of pictures while you're talking?

PE: No, that's fine.

NP: Okay.

PE: I was with CP Rail, but my coworker back at the Grains Group, Peter Wickenden, knew that I was looking for another position because I wasn't happy with working at CP. And he said, "Don't change. Don't move." But he wouldn't tell me why. I did move, and within weeks, months—I can't remember the exact timing—they had set up the Hall Commission. Apparently, what was in the works was that I would be asked to be the executive director or whatever it was called at that time. Hall's chief administrative person. So they were very, Peter particularly, was most upset that I had actually changed because he said, "I told you don't change! You were going to get this job."

NP: But things oftentimes move very slowly in those situations, and you never know, right?

PE: Right.

NP: A bird in the hand.

PE: A bird in the hand I can tell you, and we'll talk about this in due course. That wasn't the last time. If I'd known about it before going to UGG, I probably would have jumped at it, right? The way things worked out, somebody was looking after me because being that person would have been just a hopeless, difficult, horrible position.

NP: Who took it?

PE: Who was assigned to it was a guy by the name of Jim McDonough, who was with what was then called the National-- Or was it called--? CTC, Canadian Transportation Commission, and he was a commissioner of that. They tapped him to go and do it. His role is not terribly important, and he was not the reason--. The reason that would have been very difficult was Hall himself. We can talk about that. Judge Hall is dead.

NP: I want to ask you this question because we're compartmentalizing to a certain extent the steps you made in your career. So a general question to ask is when you look back on the time that we've discussed so far, what are you most proud of?

PE: The State of the Industry report. I think that, beyond everything else, that report was really instrumental. It was really pivotal, and it was a good-- [Laughs] I can remember, and I spoke about that, when I was standing on the corner, and Mac Runciman said to me, "You know, Paul, this is the most incisive report in western Canadian grain that I've ever seen." [Laughs]

NP: Pretty nice to hear.

PE: Yeah, that was nice to hear. Yeah.

NP: What contribution do you think that the work that you did at that time to Canada's success—and you can debate that—Canada's success as an international grain trader?

PE: Well, I think the best way of putting it is to say I was part of the process, and this goes actually right through to UGG as well. I was a fairly active, to some extent prominent, player in those changes that occurred between 19-- Well, it really started with the Grains Group, 1970 right through to 1980. When you read the first page of my CV there, I talk about being involved in virtually every major study between 1975 and almost 2000 on grain transportation. That became my area that I knew quite well. But of that particular period, it would have been the State of the Industry report because that was a really good-- And I was the primary pen. I was the guy that actually wrote most of it. So.

NP: Do you wish that anything from that era had been done differently? And you've got the advantage of hindsight here.

PE: I won't say yeah. What I'm thinking—why I'm taking so long to answer this question—is that subsequently through the '75 to '84, up to the time I left the Grain Transportation Agency and went back to UGG, that's really the period of time when I think things should have been done differently. What I--. We'll have to get in on this. My time with the Grains Groups, '70 to '75, I looked at the system, the grain transportation and handling system, right through from end to end, and I became so appalled at the way over-regulation and over-centralization was causing it to malfunction. And not even malfunction, it was stagnating the development of it, and I became quite a strong right-wing, pro-market ideolog. That ideology stayed with me, and I remained that way up until the time I did my PhD, which was 1986 through 1992. And I got a different perspective on matters.

NP: What was your PhD? What was the--?

PE: It was the study of the ideology of the grain industry and farmers between about 1918 and 1935.

NP: Okay. So continue because I interrupt your stories, and we have trouble getting back to them.

PE: Then shortly after I did my PhD—it was '92, yeah—'93-4, I went to work with the Wheat Growers, which was a very strong right-wing organization. I was still there, right? I'll tell you another story is that Alana Cook, who was the executive director of the Wheat Growers and is now Deputy Minister of Agriculture in Saskatchewan, she read my thesis. She read my thesis, and she said, "Earl, I thought you went over to the other side." [Laughs] because I began to ameliorate my views a little bit at that point because I came to understand a lot of things about the grain industry and about free enterprise and about things we'll talk about in a future interview.

After I left the Wheat Growers altogether and I came here that my views have ameliorated a bit more. That's one of the reasons why I was terribly disappointed--. As a matter of fact, I had a conversation with a guy on the phone just last night about this, and we talked about the committee that had been set up and how disappointed I was about the degree to which the analysis and the assessment of the end of the Board was so cursorily done. I said to him, I said, "There's people in western Canada who are what I would call moderate supporters of the Wheat Board whose interests were not addressed in this change." And he agreed. He's a former Wheat Grower also, somebody who's very much on the right. Very much as I--. I mean, I thought the monopoly had to go. There was no question about that, but he agreed. He said, "Yeah, it wasn't done right."

NP: Okay. Good. We will call it for today.

PE: Yes, we'll have to. Yes.

NP: It's been a really very good session. Thank you so much.

PE: Yeah.

End of interview.