

Narrator: Bruce Hayles (BH)

Company Affiliations: Mission Terminals Inc., Hall Corporation, Upper Lakes Shipping Company, Winnipeg Commodities Exchange

Interview Date: 09 April 2009

Interviewer: Nancy Perozzo (NP)

Recorder: Nancy Perozzo (NP)

Transcriber: Jake Alfieri

Summary: In his second interview, chairman of Mission Terminals Inc. Bruce Hayles discusses the latter portion of his career in the Canadian grain industry. He continues on with a survey of his career, moving next into vessel brokerage with the Hall Corporation and then Upper Lakes Shipping Company. He discusses his responsibility of liaising with grain companies in Winnipeg, securing freight contracts against other lake shipping competitors. He shares the history of Upper Lakes Shipping, the growth of their fleet, and their survival as one of the remaining lake shipping companies through the downturn in the industry. Hayles describes the expansion of his duties into managing the Quebec grain marketing and elevator division, and ultimately his involvement in purchasing Mission Terminal in Thunder Bay. He discusses the process of buying the shut-down elevator, updating its equipment, staffing it, and securing contracts with line elevator companies and the Canadian Wheat Board for grain throughput. He also describes his involvement with the Winnipeg Commodities Exchange as chairman, explains why the Exchange ceased to exist, and shares the effects of having no Exchange on companies and producers. Other topics discussed include the merger of Upper Lakes grain subsidiaries into Soumat Inc., his concerns about the deregulation of the Canadian Grain Commission and removal of the Canadian Wheat Board, rail and ship freight rates and their effects on eastern or western movement of grain, and the significant event of the Seaway opening.

Keywords: Mission Terminals Inc.; Hall Corporation; Upper Lakes Shipping Company; Winnipeg Commodities Exchange; Grain transportation—ships; Great Lakes trade; St. Lawrence Seaway; Grain transportation—rail; Lakers; Ocean-going vessels; Terminal grain elevators—Thunder Bay; Mission Terminal (Searle Elevator); Canadian Wheat Board (CWB); Labour relations; Soumat Inc.; Futures trading; Grain trading; Computerization; Producer cars; Canadian Grain Commission (CGC); Deregulation; Freight rates; Canada Steamship Lines

Time, Speaker, Narrative
BH: You've started now?

NP: It's started. Just to recap, I guess I should introduce first of all, it's the second interview with Mr. Bruce Hayles, and we're meeting at his office at 360 Main on the 9th of April 2009. Just to recap what we covered last time, we didn't actually get all the way through your career. We ended when you were on the floor of the Commodities Exchange. We were talking about the characters, legends of the Exchange. So as to not lose track of your career, if I recall, after you did your stint as a broker, is that when you moved on into shipping? After that?

BH: No, I took a little back away from the grain business and went into the insurance business for a period of about four years, I think it was.

NP: General insurance?

BH: Actually, it was claims. I was a claims person in general insurance.

NP: Quite a shift.

BH: Yeah, [laughs] it was.

NP: Just when the opportunity presented itself, but then back into--.

BH: Yes, then the other opportunity came along to come back into the grain business, into the shipping business.

NP: What opportunity was that?

BH: It was a company called Hall Corporation, who were starting up with a US owned company operating out of Montreal, Quebec. They were looking for a representative here in Winnipeg, and with my background in the grain business, there was a gentleman here in Winnipeg that suggested that I might have an interest. So, I received a call and ended up back into the grain business.

NP: So that's Hall, as in H-A-L-L?

BH: Yes.

NP: Had they been in shipping for a long time?

BH: No, they had just started up. This was back in about, I guess it'd be about '72 or so, and they were in business. The shipping business was difficult back in those days. They got into the business when the Seaway opened up. They brought five maximum-sized lakers, 25,000 tonners, and the company struggled along for several years. After I left that company, they continued in business for another, I guess it'd be, three or four years. But eventually they ended up in bankruptcy. So my changing from that firm to another firm was quite appropriate.

NP: Do you recall who they bought their ships from?

BH: Um, no. I can't recall that.

NP: What was that job like? What did you have to do there?

BH: It was dealing with the grain companies here in Winnipeg, most of whom were looking for lake freight on the Great Lakes. The companies, the ship owners, to have a representative in Winnipeg, it was important to them at the time, just to be in touch with the grain companies. CSL—anything shipping—they had a representative, Paterson Grain at the time, Misener at the time, they all had representatives here in Winnipeg. So, it was rather important.

NP: Was it a competitive market?

BH: Oh yes.

NP: You had to sell. You didn't wait for the phone to ring, or it was a little bit of both?

BH: You had to keep moving around and keep in touch. If your price was right and timing, ship arrival was right, then you were able to do the business.

NP: Who would you deal with with the Hall Company? Who were you reporting to?

BH: Who were--?

NP: You reporting to with the Hall Company?

BH: There was a fellow by the name of Norman Hall in Montreal. Now, he was not a family member, so it was just a coincidence that his name was Hall along with the Hall Corporation. But he was the president of the company, at the time. That's who I would be in touch with primarily all the time.

NP: Would there be a typical day on that job?

BH: Typical?

NP: Typical day? Like would you sort of have a typical day? Came into the office--.

BH: Well, you know, the Seaway would open up in April, late March, and would run through until mid-December. You had approximately nine months that you had ships available, vessels available, for the business. The business was--. You had the Canadian Wheat Board in Winnipeg, their own grains, so you had the Cargills and the Louis Dreyfus, the Bunges here in Winnipeg as well looking for freight movement. The Dreyfuses really operated out of New York, so you had to be in touch with them from a distance. But the Cargill pretty much did their own operation out of Winnipeg at that time, and of course the Wheat Board were a big customer.

NP: Had you been on a ship before this?

BH: Before that, no.

NP: What was it like to go on a ship?

BH: It was quite a surprise to approach the first one at the port and at that dock because they are rather large. When they're light ship, of course, they're a long way out of the water. So you're looking up. It's very impressive.

NP: Did you take a trip?

BH: Well, no. The only time I got onboard is they moved around the harbour in Thunder Bay and Duluth. I never did take the trip up and down the Great Lakes. I should've done that, but I had other things to do at the time.

NP: What were the challenges in that position?

BH: I guess I don't think of them as challenges, really. As most businesses are, you had to continue to be posted on what was happening, and who was doing certain business, and who had the need for the ships. But it was a conversation to move around the marketplace, keep them going.

NP: Something similar to the brokerage, then, but just a different service provided.

BH: That's right, that's right.

NP: Can anything go wrong, or did things go pretty smoothly once you know what is involved?

BH: [Laughs] There's always things that can go wrong, will go wrong. But one of the things about shipping grain on the Great Lakes, the weather comes into play and ships get delayed. They get out of sync with what your customer is looking for. So from time to time, what you think you have booked because of the delay or a change of plans, it goes away. Then of course you have to scurry around and find a replacement voyage for that ship. It's a challenge, but a good challenge.

NP: Once you learn the business it just becomes a matter of this is what happens, and you move on from there.

BH: That still goes on today.

NP: I would think so. The weather's still there.

BH: The weather is still there. That's right.

NP: You said you were there about five years, was it?

BH: With the Hall Corporation, yes.

NP: And then--.

BH: I went to the Upper Lakes Shipping.

NP: As a direct result of your experience with Hall Shipping then?

BH: Yes, that's right.

NP: Tell me a little bit about Upper Lakes Shipping because we haven't had anything in any of our interviews to this point about Upper Lakes Shipping.

BH: Upper Lakes, back in those days, there were several ship owners and of course the business continued developing ever since the 1920s, I guess, small ships at that time. Upper Lakes were involved in some grain movement, involved in marketing the grain, and so it was through that activity that they, as a company, decided that they better get into ship owning because they were always looking for some ship service. They developed all through the war period, through the '40s, with what were classified then as medium-sized lakers. They had at different stages--. They had ownership up to 20, 30 vessels. When I joined them, they had about 25 gearless—gearless being different to the self-loader. They had five or six self-unloaders at that time, and they were one of the first to develop the self-unloader grain vessel or shipping vessel on the Great Lakes. So, they were a good-sized company.

They were very active once the Seaway opened up in developing these larger vessels, building these larger vessels. They are a company that were involved in ship building when ship building was of interest on the Great Lakes. That goes back into the '50s, I guess. But they have been, and still are, a very active company.

As we've all seen the ship owners have disappeared over the period of time. The shipping business on the Great Lakes has been not exactly a profitable business, that certain years and has not always been a highly developing business. The grain trade at one time, when the Russians were the buyers, there were huge, major tonnages that were being shipped out of Thunder Bay through the Great Lakes to the St. Lawrence. That business disappeared. The Russians got more self-sufficient in the grain and were not requiring the imports that they once were. Then you have the Mississippi, which has always been a major artery for shipping of American grains down through the Mississippi rather than out of Duluth through the Great Lakes and out of Toledo through the Great Lakes. So the whole shipping pattern changes and continues to change over the years as to who's going to be using what and what direction they're going to be going.

The other thing that happened of course in Canada was the West Coast, with the Asian market opening up, China and Japan, took a great volume away from the Thunder Bay/eastern movement. This affected of course the ship-owning, ship-operation business on the Great Lakes. Therefore, over a period of time we saw the Misener fleet disappear. We saw the Paterson fleet out of Thunder Bay disappear, P&H had a few vessels. They disappeared. We're down now to where you have Upper Lakes and CSL along with one or two very much smaller operations that are moving around on the Great Lakes and doing the business there. And of course now,

with this economic downturn, we're seeing a great change in the pattern of the ore shipments and coal shipments and grain shipments too. They're still trying times in the ship business.

NP: What was your job with Upper Lakes?

BH: My job?

NP: Yeah. When you started with them.

BH: Well, I started as this, they called it vessel brokers, registered on the Grain Exchange, Commodity Exchange trading floor with memberships in the Grain Exchange and that was the classification. As such, there was a member fee that had to be paid, there were tariffs established on the Grain Exchange as to what we could charge for the service we were providing. Again, today, I think there's still probably one vessel broker that's still doing business, and he is representing a company out of Quebec that have small vessels. They're small enough they still require a party in Winnipeg to look after their Great Lakes grain movements and chartering of their ships—

The CSLs, Upper Lakes-- Upper Lakes of course came into a partnership with Algoma who were ship owners, and they have a representative. He is not a vessel broker anymore. He's just a hired-on representative of the company. The partnership was called Seaway and Marine Transport, and he has his office here in Winnipeg, so therefore looks after their interest in Winnipeg. CSL, they have a vessel broker representative out of Winnipeg as well, but the old vessel broker responsibilities are changed somewhat as the business has changed.

NP: So from a vessel broker, then, with Upper Lakes then where did your path lead you?

BH: Part of what happened with Upper Lakes-- They of course had interest in the province of Quebec in the grain business—they had the transfer elevator in the port of Trois-Rivières—and part of that, they had a grain marketing company out of Trois-Rivières, which bought and sold into the domestic market in the province of Quebec. As time went on, because of my past experience in the grain business, Upper Lakes added to my duties, and they made me president of the marketing company and of the elevator company in the province of Quebec. So, my interests were spread out and not just from the ship broker's business but into the operations of these other companies. And those were interesting times and fun times. Of course, because of that grain interest and poking around and hearing what's happening, the opportunity in Thunder Bay to buy the Mission Terminal that we have there presently presented itself, and here we are today.

We have Mission Terminal, which we're trying to develop into a rather major grain company. Part of what we're doing, we're bringing this grain group of Upper Lakes now together, which is the elevator in Thunder Bay, the elevator in Trois-Rivières, and the marketing company. We're coordinating that group of grain interest into a new company, which we're calling Soumat Incorporated. We will be offering all these logistical opportunities to grain companies here and offshore companies, local Western companies. We're developing our own line of sourcing of grain out of western Canada so that we can offer that into the eastern markets and offshore markets in Eastern Europe, particularly.

NP: Want to step back just that you said that the time you were combining your work here with the work in Trois-Rivières that they were fun and interesting times. What made them fun and interesting times?

BH: Just if you had a feeling for the grain business, the busier you are, the more fun it is. Fun is just being active and seeing progress and profit. Really, that's how I view the business, and that's why I'm still working away and having fun at it.

NP: What was the name of the marketing arm in Trois-Rivières, the company?

BH: The Grand Lac Supérieur.

NP: Ah.

BH: Prior to that it was, we called it Can Lake at one stage. It started up as subsidiary, an operating company, of Maple Leaf Mills back in the long time ago years. Maple Leaf pulled out of that Quebec market as being directly involved, and at that stage then we, Upper Lakes, took it over because of the facility that we had at the port of the Trois-Rivières. It was essential to keep a marketing company going in order to attract business to the port.

NP: Did you have to speak French?

BH: You didn't have to. I should have, but I just never quite got around to the time or the effort of learning the language.

NP: Were you stationed here or did you move to--.

BH: I was here in Winnipeg.

NP: So, a lot of back and forth.

BH: A lot of back and forth to Montreal and Three Rivers.

NP: Now I'm really interested in this aspect of starting up a new company in the form--. I mean Soumat of course is the newest--. But going back to starting up Mission Terminal, it's been a long time since a new company started up in a terminal business, or a lot of buyouts, but can you sort of go through the anatomy of starting up a terminal?

BH: Why did we do that?

NP: Well, that's a good start, but I think you hinted at that. But also, just what's involved in doing it.

BH: The reason we were looking for a facility in Thunder Bay was due to our marketing group in the province of Quebec. We discovered it was difficult with the small numbers, and of course they were our competition for grain movement, in Thunder Bay. You had the Cargills and the Dreyfuses, and of course, these are the people that were also involved in the Quebec market, so when we were trying to get western grains to move to that province, we were having difficulty in sourcing it and have a facility that would load it to ships on our behalf. So at that time, we started to look around. "Well, hey, can we find a facility of our own, a transfer house of some sort in Thunder Bay that we can move our own grains to and onto our own ships." It just made sense to try and bring all these pieces together. Of course, at that time we started to look around. We were looking at building some storage facility. Then the opportunity of the city of Thunder Bay had this Terminal 15 that Sask Pool used to own and had sold off, got into financial difficulty, and of course the city said, "We're going to sell this for taxes." Of course, we explored that avenue and found that it was not so difficult to make that an operating terminal once again, and we went ahead with the purchase of it. There were some legal consideration at the time. Sask Pool, who had been the previous owners, felt that they had been removed out of the operational grain business and--.

NP: Through the contract for the initial sale?

BH: Yeah. After exploring that with our legal people, [laughs] we found that there was not that kind of a preventative clause in place. Because at the time that this had all been evolving, what Sask Pool had tried to do, they didn't do in quite the proper way. So, we went ahead with that. We were not very popular with some of the grain companies in Winnipeg because that was additional competition in a marketplace that was not required. They had all been closing some of their terminals, and here we come along and start up another one. That's going to be competitive against them.

NP: A bonus for Thunder Bay though, I would think.

BH: Oh yes. It was very positive for Thunder Bay. It was very positive for the ex-employees of these other companies that all had been laid off. So we had been able to find very experienced gentlemen that really wanted to work and were pleased to have jobs. So over the 10 years, going on 11, that we'd been in operation in Thunder Bay, it has been very, very positive, and I think very helpful to these families.

NP: So, what else is involved in setting it up? So first of all, finding the terminal. Go into details like how do you find financing for it, what kind of licensing, the hoops you sort of have to go through to get something started up?

BH: Well, firstly, of course, we had to get the legal positioning straightened around and that took some time. Financially, that was not a huge amount of money, so Upper Lakes being Upper Lakes were able to do the financing and support of that issue and we're talking they had a sufficient amount of funds to do their own financing. When we did get to the offer to the City of Thunder Bay, the money involved, the tax that they were trying to recover, was not a huge amount of money. It was under \$1 million. We were able to buy a concrete terminal in Thunder Bay with operable possibilities for around \$1 million, which did not require bank financing or outer financing of any sort. So the company just went ahead and put that into place. There was repairs and equipment replacement and some of that activity that had to take place. But again, it was not a huge amount of money.

NP: Had the elevator been gutted of equipment?

BH: No.

NP: So, it was just updating--.

BH: It was updating. There were some pieces that had been taken out. I guess that's what had surprised the previous owners was that it had not been gutted. What the story behind that is, I have no idea, nor do I have any interest in finding out. You hear stories.

NP: You hear stories?

BH: Oh yes.

NP: About why it didn't happen or--.

BH: I don't think we should be getting into those kinds of stories. [Laughs] I think the grain people in Thunder Bay are all aware of those stories.

NP: So perhaps we should talk--.

BH: All of those terminals that were closed down, they closed them, and of course with the business the way it was, hopefully the elevators would not be started up again and be competition. So most of them that were closed, they were gutted and the equipment was taken right out of it. And in some of the cases, there was even some structural damage done to the exterior of the terminals to make sure that they were out of place. But all of it was done--. When they closed them, there were some interesting contracts made with individuals to do the gutting of the terminals. They weren't just closed because the companies wanted out of having to pay tax, and so they were sold for a couple of dollars, and they were supposedly supposed to have been gutted and the equipment taken out and used by the ongoing terminals that were in place at the time. But I think they're all through that now. I think there's maybe one other terminal that may still be closed, but at the present time there's no need for that. There is sufficient business to continue the companies that are there.

NP: I imagine then there is a sense that, although things change in the grain business, they will never change to the extent of the capacity that was available in Thunder Bay will ever need to be there again.

BH: The capacity that was once there at one time?

NP: Mmhmm.

BH: No, [laughs] but you should never say never in this business. Europe have had restrictions in place, and Europe has not been a good grain market over the past 10 years, 12 years. However, there appears to be some restrictions being removed. There has been a restriction in place in Europe that relates to the canola business, and canola seed has not been allowed into Europe over the past bunch of years. Now they have removed that restriction or that has been about to be removed or is removed, I guess, now. So there's a thought that will need a fairly good pick of canola purchases going to Europe. Now that has to be beneficial to Thunder Bay and to that eastern movement.

NP: But I digress, because I was asking you about the things that need to be done in order to bring a terminal online. So we had the going through the legal issues, paying off the taxes--.

BH: Once you have to license the elevator, and you do that with the Canadian Grain Commission. Of course, that's so long as you can prove yourself that you're a financially solvent company and with the elevators in good working order, there was no real difficulty in getting licensed in order to do business. The main difficulty when you started up of course was, "Okay, now, yes, we can move our own grain to the province of Quebec, but that isn't in itself enough to operate the elevator," and so we had to seek out and try and find some other customers that would ship through the terminal. Initially, we had a contract with ADM and Louis Dreyfus to move some peas and non-boards through there.

Within our first year, we were approached, and we approached, as well, the Canadian Wheat Board to see if there was some way we could move grain through the house. Of course, they, the Wheat Board, at that time and for some time previously, they had been looking to make a contractual arrangement with a terminal company in Thunder Bay, because they wanted to have better control of their--. As they were shipping 5 million tonnes of grain, they wanted to have a little better arrangement—a more contractual arrangement—with the terminal operators in Thunder Bay. None of the terminal operators would come to that kind of contractual basis with them, but when they approached us, we said, "You betcha." So ever since then for the past ten years, we've had a contractual arrangement with the Canadian Wheat Board to move grain through our house.

NP: Had your willingness to do that changed the operation of the other companies? Are they--.

BH: Not that I'm aware of, but not to the extent that we have with a contract that way.

NP: So, then it's just a question of advertising that there are jobs available and you're off and running with your terminal?

BH: Yeah. Well, Paul Kennedy, he's been in Thunder Bay all his life and has been in the coal terminal business there and Port Authority, so he knew and does know a lot of people in that city. So, with his contacts and word spreading around, there's been a lot of people and had been, back then, laid off from these other terminals. These people, they weren't retired. Well, they had some retirement. They hadn't been 35 years working, so they still wanted to work, so they were there.

And, of course, the other part of that, at one at one stage we thought we might have to--. You were talking about what were some of the happenings to set this up. And, of course, we were thinking that well unions are very strong in the city of Thunder Bay. We perhaps would have to get involved with the union, and so we had some conversations with them. But as these gentleman came along and said, "Yes, we'll work for you." We put the question to them, "Well, do you want the union?" They said, "No way. They didn't do very much for us in the past, so we don't need it in the future." So we're non-union, which is most unusual in Thunder Bay, and here we are, working away.

NP: Any backlash from--.

BH: From the unions?

NP: Well, from them and the people who thought the terminal was out of business and--.

BH: No, I wouldn't say backlash, no. There's been the odd union problem and there's been picket lines set up, and so it's been a little, being as we're non-union, for the unions to be picketing our elevator is not legally available to them. But since that time there seems to be peace in the city of Thunder Bay, recent times anyway. So, no, we haven't had any great major problems with that.

NP: The new company, the Soumat Company, it's mainly an amalgamation of the two operations in Trois-Rivières and Thunder Bay?

BH: Yeah, there's actually four companies: There's Mission Terminal, there's the Grand Lac Supérieur, there's the Éleveurs De Trois-Rivières, then there's the stevedoring company, Laviolette Stevedoring, and so there's the four companies that were merging into this one holding company, if you will, and will be operating as Soumat. Quebec will continue to have their individual company image because that's important in Quebec. They're well known there, and of course Mission Terminal will be operating in western Canada, under the Soumat banner, but the Mission will still be a part of it. But now as time goes by, we venture into where we are a Soumat Incorporation. The Soumat is a name made up of the sourcing of grain, marketing the grain, and transportation of grain so that's how we arrived at Soumat.

NP: How's it spelled?

BH: S-O-U-M-A-T

NP: Okay. Will the elevator change names or will it be--.

BH: Well, no. I think if it does, it won't be in the near future. People don't always like name changes. They're used to and of course, our guys there, it's Mission Terminal, and it sort of relates to the river that it sits on. It relates to Thunder Bay, so one has to be a little cautious just changing the sign, "This is now Soumat Terminal."

NP: I'm going to shift to my prepared list of questions just to be sure that I don't miss anything. I know that, in what you've said concerning your career, we've covered an awful lot of this, but I don't think we had a chance to talk about the Commodities Exchange, and you were the chair of the Commodities Exchange at some point, correct?

BH: Yup, I was the chairman, twice.

NP: So there have been some changes, big changes.

BH: [Laughs] There isn't a Commodities Exchange anymore.

NP: I'd be interested in your comments on that. How it came about that there was and there wasn't, and what, if any impact, do you think that might have on the grain industry over time?

BH: Well, futures markets have always been a price discovery or a hedging facility. What has happened over the years and certainly it started to happen, it was happening when I was chairman in—I forget what year—'78 or thereabouts, there's fewer grain companies, and the use of the Exchange has been going downward. I guess what really started to effect-- Now, the Grain Exchange was there through the war and after the war. There were a lot of—I think I mentioned this earlier—there were a lot of members of the Exchange on the trading floor that represented overseas, offshore companies, and so then they were exporters. There were flour mills. There were a lot of different people who had needs of a futures market for their own hedging, for their own price discovery, but as time went on and the players became fewer, and of course you had the Canadian Wheat Board who were establishing prices for the wheat—which was primarily the major market in the grain exchange—the need for a futures market in Winnipeg soon was slowing down.

The canola market that was established has been very, very successful. But again, as the grain companies disappeared, the hedging need was diminished to some extent, and this is what's been kind of a changing and has changed the need for the Commodity Exchange as we knew it back then. Of course, as the number of users of the marketplace were declining, as they did, then the need for a trading floor declined as well. Then of course with the computer business being the way it is, the electronic trading soon came to the forefront.

I guess the US still have the Chicago border trade still have call trading, but again, they're going to electronic trading, and Kansas City the same way and Minneapolis the same way. Of course, here in Winnipeg now it's a company called ICE who are a futures-- How would we describe them? They have servicing a futures market through their electronic trading. So the real need, and again as

I say it, the players as you get down to fewer companies and fewer commodities to be traded on the Exchange--. Right today we have one—canola.

The need for the futures market has kind of disappeared. One of the bad features of it, without having the grain companies involved, is that price discovery is no longer there because the companies themselves are not really there. What we're seeing are more of the speculative traders. All grain markets, futures markets, requires certain amount of speculation but not to the extent where they are driving the market. And as we saw in the '07 and '08, when the world grain prices went through the roof, there was really the fundamentals of need were overlooked, and all of a sudden, the big fund houses decided, "Hey, these grain commodities look pretty good. We're running out of some other places to put our money, so let's get into this." That lasted for about six months, seven months. I think that's one of the bad features of losing a futures market as they should be and needed to be used back in the early times.

NP: Does your company need a future market?

BH: Oh yes, we traded the firm out of corn. We're buying locally Quebec corn, but we're always buying US corn, but our hedging facility is Chicago, and we handle some soybeans, and so our hedging is Chicago again. We're trying to establish a market sourcing of non-board grains in Canada the canola, flax, and rye business. There's no hedging facility for flax nor is there for rye.

NP: What difficulty does that present then?

BH: [Laughs] Well you got to have a buyer before you buy, and you pretty much need to have a buy/sell operation going otherwise you have great exposure to the market swings.

NP: On the surface that doesn't sound like a bad thing.

BH: No, but on the surface, it doesn't sound like a bad thing, but to do it is very difficult to have your buyer right there when you have--. A real nice way of doing it would be have the buyer company and say, "Here's the price. Now go out and buy it for me and move it through to my position." But buyers don't operate that way [Laughs].

NP: What, over time then, difficulty does that create for a company? Does that slow down sales? Does it eliminate sales? Does it decrease profit?

BH: Major companies, you know your Richardsons, who have a good book of customers, the Viterras with a good book of customers, so they have enough diversification of buying times and prices that they can pretty much have a good idea of the marketplace. They still have great exposure if they take on positions that they don't have sales for. I'm sure they're using the canola futures market through electronic trade, but again it's not really a price discovery. I think these companies are able to, and the buyers too, can kind of establish their own prices now.

NP: They're big enough.

BH: They're big enough, that's right. If you have sufficient of the primary grain companies and if they all talk to each other a little bit, the marketplace is not going to really get sold out or disappear entirely, so they have a fair control on it.

NP: Does this have any impact on the producer, would you say?

BH: I don't know if it at all impacts the producer, but his livelihood is what he can sell his product for. He has no way of influencing that price that somebody is going to be paying. Under the single market single desk selling of the Canadian Wheat Board, the producer has a pretty good idea and knowledge of what he's going to receive. The Board come out and set a market, a price to them, a pool price that they will pay the farmer, and hopefully there will be additional funds on top of that to pay when it's finally sold. But when you get into a—how would we call it—if the Canadian Wheat Board disappear as the government wish them to do, the farmer is going to have to rely on the grain companies that are still around and available to them to establish a price that will be influenced by what overseas buyers they can find. Of course, in doing that, these companies have a great influence from international houses.

The Cargills for instance and the Dreyfus and the Bunges of the world, these companies, if they can see a sale in the world that provides them with more margin money, they'll be selling that country's Australian or whoever. They'll be selling that grain before they'll be selling Canadian grain. The single desk selling of the Canadian Wheat Board, that is all they do. They sell Canadian grain and that. From the producer's point of view, that would be a great loss to them if that Canadian Wheat Board were to disappear. That would put them back into the 1930 days, when the Wheat Board was first established. There'd be no real opportunity for the farmer to protect himself. That's the way the grain trade has been developed. Of course, back then at least there was some competition in that there were probably ten or fifteen firms, but today you've got three.

NP: What are you most proud of in your career in the grain industry? It might be tough to--.

BH: There's several things. I was very proud to become a chairman of the Commodity Exchange. Back in those days, we were attempting to introduce through—you mentioned Doug Ford earlier, he was the president at the time—and we were attempting to educate, if you will, the producer on the use of the Commodity Exchange as a hedging facility for themselves, a price discovery facility for themselves. We we're trying to get that going, we didn't get it too well established. One of the problems was producers and futures markets is a lack of knowledge of just what they are. Of course, in today's world, as I mentioned before, commodity exchanges are not what they used to be, price discovery, which is what the farmer really requires.

NP: So they can be really dangerous now for uneducated--.

BH: That was one of my good times, and of course being given the opportunity of developing the facilities on behalf of Upper Lakes in the Seaway system and province of Quebec. And of course, the startup of Mission Terminal, I took great pride in establishing that getting going.

NP: And I take it you didn't stay--.

BH: I created some pretty nice jobs for quite a lot of people.

NP: And I take it you didn't stay at the YMCA when you were--.

BH: Doing Mission? No. Not sure it was still there. I hope it wasn't. [Laughing]

NP: Not sure if it was still there in its same role. Anything else?

BH: No, no. I think that's really what comes to mind when I think back.

NP: What would you list as the ingredients of a successful Canadian grain company?

BH: Well, firstly you have to have integrity. But you have to be in a position to provide a needed service, and with what we're developing through our Soumat that we think that we have the pieces that do provide that service, from the grain farm to the shipper overseas that uses our facilities. The pieces are all there. All grain companies in the west don't have facilities on the St. Lawrence, and that's an interesting part in providing a service to a buyer.

NP: How does that work? Why is that an essential ingredient?

BH: In Canada, if the owners of the St. Lawrence terminals are, again, you have the Cargill and the Dreyfus, you have Bunge in the city of Quebec. They had their own business that they're operating, so if you have, we will term them as a third party, interested party, then in order for him to put a contract together to ship out of the St. Lawrence, he has to go to one of these three parties. And that can be somewhat restrictive. It's not to say that he can't get the business done, but he it won't always be based on his terms and his requirement needs because these other three are also doing a huge business offshore and have their own needs. So I think human nature being human nature, they're going to look after themselves before they're going to be looking after a third-party customer.

So we to be in a position to provide an upfront service to a company is very important, and we can do that through Thunder Bay. We can be helpful, beneficial to them, if they require a lake freight. We can do a throughput on the St. Lawrence. The pieces all come very much together. If they want to rail, then we can handle rail in Thunder Bay. We can handle rail in St. Lawrence. All companies, there's two major terminals on the St. Lawrence that don't have rail facilities so it's all water, so they're good for the nine months of the year. Again, we have a benefit, and that's what a grain company needs to have to be fully helpful and cooperative to a customer.

NP: Now, maybe you've said this, and I've just missed it, securing your product from the farmer, is there a company in place to do that? Do you have terminal--?

BH: We are working on that, but one of the things we first started up when Mission started in Thunder Bay and we were looking for business, we were going to the producers. There's a great number of producers that would love to use what is available to them through the Canadian Grain Commission. They can load their own railcar, a producer car program that's in place, and of course one of our initiatives when we started up was to go to these farmers and encourage that kind of movement. So to date, we probably handle 65 to 70 percent of the producer car activity. Particularly, that it's coming east to Thunder Bay and that's really one of our ways of sourcing grain. We source 300,00 tonnes of grain through the producer car activity. We also have some arrangements with a private elevator, smaller elevator handlers of grain, and so we have that grain coming to Thunder Bay as well. We bought a small elevator in Manitoba just recently, a primary elevator, so we're experiencing the startup of that and trying to look at our development in that direction, to source additional grains.

NP: There's several changes proposed, I understand, by the current government in changes in the way that grain is handled. Does anything affect producer cars or is that pretty much--?

BH: There's always effects. Everyone has to be concerned about effects that--. What the government is trying to is--. For instance, the Grain Commission, they're downsizing the Canadian Grain Commission, and this is going to affect the city of Thunder Bay as

well in that there'll be job loss there. They're saying that inward inspection is not needed in terminal elevators. Well, that's all right from a bureaucrat sitting in Ottawa saying. But for the buyer of that grain, he's not too excited about that. There's a lot of changes that they're trying to make to that Canadian Grain Commission Act that are not a positive, long-term situation. What we're seeing in overseas buyers is that they're looking for quality. They're looking for quality assurance and safety in the grain they're receiving. What we're seeing with what our government is trying to do is that they're taking down all these barriers, these regulations that provide that safety and consistency to the grain movement in Canada. What they're thinking is beyond me. But that's what seems to be taking place. And of course, you know their position on the Canadian Wheat Board, [laughs] and if you think that is a positive thing for Canada and Canadian producers, I just don't understand where that's coming from.

NP: Would--. I can see from the position of Mission Terminals where that would definitely create some issues and concerns. Is that necessarily the attitude of the other Canadian grain companies?

BH: The other Canadian grain companies would like to have it wide open and free to themselves to operate and do business. They've convinced maybe 400 producers in western Canada, who are quite loud in their publications, that a farmer should have freedom of right to sell to whomever he wishes, [laughs] but whomever he wishes are few and far between and may or may not be there on a consistent throughout the year basis. So there's not enough thought that's been given to just--. There's no real protection for the Canadian farmer, and if we see these changes to the Canadian Grain Commission Act, that's going to happen, too, and of course part of the Grain Commission Act is the overseeing of the producer cars that we were talking about. The railroads are not happy about producer cars, and they'd just as soon see that disappear completely, producer car activity.

The short-line railroads that are starting up and springing up, they quite enjoy the producer car activity because that's volume for them, which they wouldn't normally. They'd be trucked over the main lines. That's the other thing, if we lose this Canadian Wheat Board support, the short lines that have started up will be in difficulty as well, in that the short line producer car line activity is very much supported by the Canadian Wheat Board, and without that support, the cars would not be available through railroads and there would be nobody, no Czar anywhere saying you have to supply them. It wouldn't be positive changes for some producers. I think we have maybe 3,000 customers that are interested in producer car activity. 3,000 farmers, that's quite a few.

NP: I have a list of interconnectedness with your company. We could probably deal with this fairly quickly given what you've said so far. How would you describe the interconnectedness of your company with other major components in the industry? Producers, carriers—I think we've dealt with—the grain handlers, Grain Commission, Canadian Wheat Board, researchers. So those would be I'm thinking people who develop better strains of--.

BH: Varieties?

NP: Yes.

BH: Our connection in that direction is not major but always of interest as to what new varieties are coming out of the market, because that's volume or better be volume or create volume, create sales if it's a better product.

NP: Do you feel we've covered the other ones pretty much in previous conversations? Connections with the Grain Commission and the--.

BH: Well, yes. Connection with the Grain Commission is important to us and helpful to us and provides a service to us that otherwise we're going to have to scoot around and find people to provide that service for us because the buyer and the seller, the producer, is going to require these Grain Commission services that are threatened to be taken away under this new bill that's in place. The Canadian Wheat Board is very important to us, and I think what people should keep in mind is that particularly in the Thunder Bay area, it's the Canadian Wheat Board that has been very supportive to the grain movement through that port. Their big market in Asia out of the West Coast. At the same time, the Board has always been consistent in maintaining their sales of eastern movement gain. The other part of that program of the Board's is that it's a nine-month program, so there's activity through the port, and it quiets down in the summertime, July and August kind of thing, between crop years.

But again, it's been very consistent and very helpful to the port. If they were not there with that program that they have, then you would probably find April, May, into June would be the active part in Thunder Bay, and then it wouldn't pick up again until October, November. I think as we think back on it, other than some flour milling business moving out of the port, the overall wheat program has always slowed up considerably through the summer and might even cease entirely, if it were left to just these major world players that are owners of the facilities. You'd see an April, May program out of Thunder Bay, and then you'd see this in October, November, into December. Of all my time in the shipping business on the Great Lakes, the US grain activity was always first thing in the spring and last thing in the fall, nothing through the summer.

NP: Balances it out. One of our interviewers had made a comment on what happens with shipping product. Always, in my mind, there was sort of a point where it makes sense to ship out through Vancouver just because of distances and where it would make more sense to ship out of Thunder Bay. He was commenting that there was some product that was shipped out of maybe even western Manitoba, certainly Saskatchewan, would go west through the mountains and then come back through to the Eastern area for shipping down to South America, because of the way that shipments are charged by the railways. Is that something that you're familiar with?

BH: I'm not that familiar with it. That's the other thing too that our rail freight rates are they consistent, are they fair, when it comes to moving midpoint Saskatchewan to Vancouver. Vancouver, they have to go up and around those mountains and there's a cost to that. There's a lot of grain is moving out of Prince Rupert. Is that freight rate distance, is that a fair, equal kind of a rate to the movement it to Thunder Bay?

Certainly, ocean freight rates come into consideration to a great extent. I know that Eastern Europe movement, there was a time when ocean freight rates out of Vancouver through the Panama Canal over to Europe were cheaper or as cheap as out of the St. Lawrence, which doesn't really make much sense, but that's the ocean market at that time. I think there has been, I'm not aware that grain came from Vancouver, shipped to Vancouver, came by ocean vessel around to the East Coast to go down to South America. I'm not aware of that. I know that it was going South America was going to Mexico out of Vancouver on a direct ocean shipment basis. And that all had to do with supply and demand around the world for ocean freight and that freight market. I guess what always sort of made me curious is to these freight rates across Canada and western Canada. There's no question that when you move to Thunder Bay and then have to put that on board a ship, and the ship-lakers cost, like all costs everywhere, have had to go up considerably just to cover off their fuel.

Fuel has been a major cost part of moving grain these days and the fleets are all unionized. There's built in costs there, so the movement from Thunder Bay to St. Lawrence has always been and has been increasing cost that offsets going through the West Coast. There's a double handling that has to take place out of Thunder Bay, unless you are direct shipping ocean wise. But I don't know. Those kind of considerations will always be there, if there's no real handle on them. We've seen what kind of ocean freight rates have done over the past year and a half and they went from Panamax sort of thing went to a \$70,000, \$100,000 a day kind of cost, and then down to \$10,000. [Laughs] There's no sense to it but that's your open market.

NP: And it seems to move fairly quickly. There's not a whole lag time. There's a--

BH: Oh yeah, no, it does move quickly. There's been a lot of container business, grain shipped by containers, and that's going a different source of ways. Canada West Coast has been the direction. Prince Rupert just recently did development to their container operation in that direction, so there's grain moving out that way. There's grain moving containers out of the West Coast as well. It's pretty hard to move containers out of Thunder Bay and that there again you have a double handle. There are no Great Lakes container vessels available to move it out of Thunder Bay. Anything that would be containerized Thunder Bay would be a rail movement, either for the East Coast or West Coast.

NP: We've covered, I think, a number of significant events, but I'll ask a question just in case there's some significant events you haven't mentioned. Besides changes and challenges noted, what were the most significant events that happened in the grain industry during your career, both major incidents, achievements, or setbacks?

BH: I'll have to give that some considerable thought. I guess the St. Lawrence Seaway opening or expansion was certainly a major happening, which provided great interest for eastern Canada and also the US of A, Midwest US of A. They felt, at times, the majority of Canadian grain, because of that Seaway, would be going east into Europe, into Asia, and every direction because of the opportunities and size of shipments. But that was soon counteracted by the development of Panamax shipping. Here we had 25 tonners available into the Great Lakes to pick up all this grain. But then what became required was you have to pick up more than 25,000. You have to pick up 75,000. But yeah, I think that was a major happening.

I don't think of anything as outstanding. It's just been a continuous, as all businesses been that way, it's a continuous development and changing of times and changing of ways of doing business. There's some surprises at times as to what has happened and how quickly it has happened. But other than that, everything seems to be as it should be in growth.

NP: So when you say surprises can you think of one that was a bigger surprise than you anticipated or more quickly?

BH: I guess, no, I--. That's a hard question to answer because you live with the business and things happen, and you're a little surprised at the time that it's happened perhaps, but then you look at it a little further--. I should've thought of that. It's not too outstanding. I don't really think of anything--. You know, the Crow's Nest change certainly had an effect on the eastern grain movement. Was that a surprise? No, it was a long time coming. It was a political thing again. I guess we're always--. I guess you can look at this new government and say that's a surprise. [Laughs] How come they're doing what they're doing? But how does one compensate or think of these things as they're happening, and they're concerned at all times, particularly now, with the government the way it is. I guess if one good thing has happened, in a way, our economic times are not quite as buoyant as they once were, which is making this government step back and preform a little bit more like a government. And it can't just bully their way around. They've run out of money, so that's positive, I think.

NP: What would be your most vivid personal memory about the grain trade? And here just thinking about sight, sounds, people, anything that sort of--.

BH: Nothing really stands out there either. There's no startling event that I--. Well, again, this has nothing to do with business ways. It has to do with the political ways, and what would our so-called fathers of industry think of this Conservative Government and their approach to the grain industry and how the grain industry should be operated and run. There is no attempt on their part, nor is

there any indication if they have any historical consideration of what's gone on before and why we are where we are today, and who are we as Canada and, particularly in the grain industry, what's so great and wonderful about our world production that they feel that they can just turn it loose and not be too concerned about it. You see that in how they approach the WTO considerations. They just don't seem to have or don't appreciate the importance to western Canada, particularly, and to Canada that this agricultural industry is. How [inaudible] this agricultural industry to the world is not a very significant part of world production we're doing. The government has to keep that in mind, I think. What is our position? We're are not a United States to just bully the world around to buy our grains, nor will they buy our grains if we are not careful.

NP: Are there any questions that I should've asked that I didn't ask?

BH: I think you have covered everything.

NP: The waterfront? [Laughs] Are there others that you think we should interview? People that are maybe involved in your company or companies that even the ones down east because I think I mentioned at one point that we were hoping to do a brief tour of the east and introduce that part of Canada's grain trade. So are there people that are still around that you think might have a good perspective on things?

BH: I don't think we even need to record this part of this, do we?

NP: No, we can do it afterwards.

BH: I'd have to give that a little consideration when it comes to parties in the east. Again, people are disappearing who have been around. I just got news that one of my original people with Upper Lake Shipping, he just passed away this past weekend. He had 50 years of experience in the shipping industry in Canada. A fellow like that, you would enjoy talking with him.

NP: Who was that?

BH: That was Jim Hartford. But to find someone, to think of names, I'd have to give that a little time.

NP: Sure. The other aspect is we started this project in Thunder Bay, and we broadened it to include the Voices of the Grain Trade, particularly the Canadian international grain trade across Canada, so we will be doing interviews across Canada in Saskatchewan, Alberta, and out on the West Coast. We're hoping that, at the very least, that we'll be able to get set up as a website that would

feature snippets of the interviews and other memorabilia that people have and we are particularly interested, although not exclusively interested, in terminal elevators because we feel that history has not been recorded and they too are disappearing.

BH: General elevators in Thunder Bay?

NP: Thunder Bay, the West Coast, even the government elevators that were developed across the Prairies at the same time as the Government Elevator was built in Thunder Bay way back in 1912. Then of course the ones across the--.

BH: You're thinking of the Moose Jaws and the Churchills.

NP: Right. So, we're asking if companies have any memorabilia related to their history that might be available for us to feature on a website, or at some point, if we manage to get a centre set up in Thunder Bay.

BH: Oh. we're from the Western Elevator, the Canadian Consolidated Grain, I'm not aware of any photographs, pictures, anywhere. I don't know where they are today. Some of the old Canadian Consolidated, UGG bought them out, so they had the signs repainted, and some of those are probably still around somewhere. But when it comes to all the Churchill, I'm sure that the government has all kinds. They're the ones who built it. There's been changes there of course. OmniTRAX is the owner of it now and what history they might have. I know they have a representative here in Winnipeg. I know that the Port of Churchill, they have great interest in that as well. I'm sure they have a lot of--. We have a fellow we can put you in touch with who's quite interested in to trying to promote Churchill, both for grain and the products. We could put you in touch with him.

NP: Okay. When you bought out the elevator in Thunder Bay, did it come with historical drawings, plans, files?

BH: There are some photographs now. Paul Kennedy, I think he still has some of that in Thunder Bay. Primarily what we ended up with were some really construction plans and operational plans, which is of no interest I don't think.

NP: Oh yes, they are.

BH: Oh, are they? Well, then I've got them, and I'll show you before you leave, and I've got a couple albums here, but I never thought that they'd be of too great interest to you.

NP: Oh, we're weird. [Laughing]

BH: But yeah, I can take those out. Now West Coast, there'd be old time people out there, but I'm not aware of who they would be. I wasn't that close to the West Coast.

NP: Well in the shipping side too. I would imagine that Upper Lakes has their--.

BH: Well Paterson who would have a pretty good feel for who's still around in the eastern part of it.

NP: Upper Lakes would likely have an archive of some sort, would you say?

BH: Well Upper Lakes has an archive. Upper Lakes has a book that put out 50 years. Upper Lakes was trying to think of who might--. I can think of a couple people who would have some old-time history for you of that eastern movement. One being the owner of the company who would be prepared to spend a couple hours talking to you. I'd have to approach him on it.

NP: Well, you can tell him what a wonderful time you've had.

BH: Yes, indeed. [Laughing]

NP: I'll get those names from you afterwards and we can talk about that. If we do get a centre established in Thunder Bay, and the idea is to share this rich history of Canadian grain in Canada, how the system developed a little tiny country-population wise becoming quite a star in the international market, for reasons you've mentioned, but that gets hidden. I don't know that the general population of Canada necessarily knows this, and we would like them to know it. If we were to have either the website or a centre, what do you think would be important to feature?

BH: When you say a centre, would it be a visual centre or--?

NP: We had a feasibility study done two years ago now, I guess.

BH: Would this be a tourist stop off?

NP: A tourist stop off but also the consultant suggested that we do a science focus because they said there's no science centre in Thunder Bay for the young people developed, and so if we could focus on the grain trade but look at it from a historical aspect of it, but given to this marketplace a history museum is not going to be enough. So then have a science aspect so it can be the science of shipping, science of grain handling, science of--.

BH: You want the whole background of the various parts of it.

NP: We're looking at the book.

BH: When you look at these old-time pictures, there's when you talk of a science, this sort of background on the shipping.

NP: Even the mathematics of saying how many little elevators did it take to fill a ship in 1930 versus how many it takes to fill a ship today, you know, doing the mathematics piece.

BH: Well, if you had the person to put all that together, [laughs] the information would be there.

NP: What would you not want to lose? We're talking now and I think we are saving some things about your history that might not seem much to you now, but 100 years from now when somebody listens to these tapes, that's a history that wouldn't necessarily be available. So what shouldn't we lose?

BH: I think we probably already lost some in that the old wooden elevators, and I don't know where you would go for information or pictures of those old wooden elevators.

NP: In Thunder Bay?

BH: In Thunder Bay, yeah, and they were the beginning of Thunder Bay grain movement. They were built there with a purpose and a need for the service of those elevators. I guess that's part of what would be fun to have recorded for somebody to read 100 years from now that's what started all this. The early settlers, they started to grow wheat in western Canada in the Selkirk, Manitoba, area here. Then there was a need to move that grain. Some of the old timers came to town and said, "Hey, I'm from Scotland and they could use some of this over in Scotland." And so I think if that's the kind of thing that gets lost, like some of the names of the people who did that, and I know there's our museum here in Winnipeg, they have pictures of all these first times happenings and the Selkirk settlers and all of that sort of thing, and I think that's sort of what you're talking about, isn't it? How do you do it and where does the money come from?

NP: Well, that'll be our next challenge, but without the idea to begin with, it's tough to go anywhere.

BH: There's no question that there's pictures in this book. There's something here that, I just noticed it.

NP: Cartoon from the November 1963 edition of McLean's showing Jack Leitch confronting Hal Banks. [Laughs]

BH: That was a serious time.

NP: Yes, it was. I remember that. I was old enough.

BH: His life was threatened. You know, and it's some of those anecdotes that should be recorded for young people to look back and say, "Wow, those were tough times," or "Those were funny people." And here we are, we got them still today. Only they're worse today than they should be, and I can't think of anything else that would be fun to record, but I don't know how to find somebody that recorded alone.

NP: Well, we'll have to ask Mr. Leitch. He's the only one that can tell the story, right? Mr. Hal Banks is no longer with us.

BH: Would you be the one going to Toronto?

NP: Not necessarily. What are your thoughts there? We're still taping, should we continue this conversation off tape?

BH: Off tape.

NP: Okay, why don't we do the official thank you very much for taking part in our project.

BH: It's been a pleasure. I hope that it can be of some use to you.

NP: Oh, it definitely is.

BH: There's a lot of rambling in there.

NP: I didn't notice much rambling.

BH: You didn't?

NP: No because as I take part in a lot of the interviews, it's very interesting how themes, incidents arise, and what we had hoped is we get voices of the grain trade coming from various aspects and not make judgements at all about what different opinions they are because I don't think that's important. What's important is that these are the people who lived the trade over many instances, over long years, and--.

BH: It just seemed to me that at times you were asking for a specific answer and that brought in a whole bunch of different answers that--.

NP Well, that's always what we hope. [Laughs] We don't want somebody saying, "yes" or "no" or three sentences. That's it, so thank you very much. We very much appreciate it.

BH: It's been my pleasure.

End of interview.