

Narrator: Sandi Mielitz (SM)

Company Affiliations: Canadian National Railway (CNR), Richardson International

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Interviewer: Nancy Perozzo (NP)

Recorder: Nancy Perozzo (NP)

Transcriber: Sarah Lorenowich

Summary: Former vice president of grain marketing and market development for the Canadian National Railway Sandi Mielitz discusses her career in railway operations. She describes her first role in CN in the public affairs department writing speeches and learning about the grain industry. She explains in depth the major issues of the era—their history, their debates, and their affect on the industry—like the Crow Rate, rolling stock availability, rail line rationalizations, and country elevator consolidation. She surveys her career from public affairs to vice president of various divisions, and she describes her frequent interactions with these issues. Mielitz discusses some of the main changes to CN’s operations during her career, like their purchase of two American railways, the demise of grain pooling and the Canadian Wheat Board, the shift in grain movement to the West Coast, and major downsizing of staff across divisions. She describes some of her other responsibilities, like attending farmer meetings, interacting with American railways, and creating operations forecasts from industry crop surveys. Other topics discussed include railway revenue caps on freight rates, contemporary complaints about rail service, her involvement on the board of Richardson International, being a woman in a male-dominated industry, predictions for the future of the railway and grain industries, and the historical era of the boxcar.

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Time, Speaker, Narrative

NP: It is June 26, 2012, and I am sitting on lovely Dramore Avenue in Winnipeg. I will have the person who is the subject of the interview introduce herself.

SM: I'm Sandi Mielitz, and I was involved in the grain trade from 1990—I guess in various ways—until the present day.

NP: So, let's start then with when you became involved in the grain trade. As I mentioned when we were talking before the interview, our recording, started, that it's rare to have women in the grain trade even today. How did you get involved?

SM: You know, I think I was at the right place at the right time, let's say. I started my career with CN [Canadian National Railway]. Well, go back just a tiny bit. I was at McGill. I did an English undergrad degree like many young women in the late '60s, and then graduated and realized I was fit for not very much in terms of the working world. I joined CN in their public affairs department. I happened to get a very junior position, but after two or three years I realized that what was really interesting me was the nature of what CN was doing. At that time, it was in the throes of its first major computerization of the whole railway, and it was a major effort with major change involved. I was involved in preparing training films and tapes for them to use.

Anyway, I decided I really didn't want to stay in public affairs, but as a young woman with no real background you wouldn't go very far. So, I left not knowing what I was going to do, had my own business for a couple of years in the public affairs area, and then decided to go back. I did an MBA in finance, and best offer on coming out was back to CN. But, you know, then I was viewed quite differently. I had the luck to have a high-profile job. My first job was actually back in public affairs, which I had sworn I would never do, but it was to write the president's speeches and work with the executive office on getting their message out. That was at the time of Bob Bandeen. Dr. Bandeen was president of the railway. So, it was a fascinating time to sort of come in with a fresh MBA and see guys who, at that time, Dr. Bandeen and Rad Latimer were very astute businessmen. CN didn't always have good leaders, but they were good leaders. So, it was a very exciting time for about a year and half.

Then from there I went into the hotel division in finance, and then into treasury as assistant treasurer, and then ended up in the real railway out in Toronto as head of the non-operations marketing side. So, all the little departments of administration that related to the Great Lakes region. So, now we're in the '80s when that occurred, and then in the late '80s I was seconded back to Montreal to work on a major project of redesigning the structure of the railroad and downsizing. That, again, was a wonderful development opportunity. But, you know, really what was happening is I rejoined the railway in '78 with that degree, that was the time when the government was putting pressure on a Crown corporation to have women in the numbers. And there weren't very many women. This wasn't the bank where all your entry level jobs are largely filled by women. This was a very male environment. So, you were not lost in the crowd [laughs] because there weren't very many of us. I just found that if you worked hard and cared about people and were not uptight about the fact that you were a woman and just fit in as a person, it worked okay.

So, that was a huge development opportunity when I came back to Montreal after Toronto and got involved in this whole special project, which lasted for 18 months, on reorganizing the railway and a lot of downsizing that went with it. When that was through, I was asked if I'd like to be assistant vice-president of grain marketing out in Winnipeg. So, my husband who, by that time fortunately, had decided that he no longer wanted to work full-time—he was a professor—he and I were able to move out here from Montreal, and started the career on the grain side.

[0:05:10]

NP: Before you get too far in because I'll forget--.

SM: Yep, no go--.

NP: I might be asking you questions that relate to things so far back that they might not be clear to you, but one of the things that I would suspect when you were writing speeches and things for the president is you get to learn a lot about an organization that you might not otherwise. So, would that have been your first introduction to the grain? What was happening in grain that would be at the end of the '70s, I guess?

SM: Yeah! And grain was a very big topic because it was the time of the Crow Rate and trying to get the Crow Rate changed. So, there was immense amount of interest and effort in and around that topic, and it was very much a preoccupation at the top of the house. The head of public relations at that time, the guy who re-hired me, was young and very bright and very good and very into the executive mindset—what they were doing and where they were going. He used to do wonderful debriefs of--. I'd go and visit the president to get ideas for a speech or whatever, and then he'd fill in all the colour in the background when I came down. It was great! We spent quite a bit of time, a lot of the speeches related to the change in the Crow Rate and all the arguments the railways had at that time. Then I was also peripherally involved in the financial aspect. I was in treasury when the Crow Rate was actually changed, and that administratively was a very big change because it was a fairly complicated regulatory environment. It was a very clever, actually, regulatory environment, but quite complicated to administer, and the financial impacts were dramatic on the railway.

NP: So, when you say a very clever--? What would you call it? A clever--.

SM: A clever structure or regulation.

NP: Yeah, structure for it, what makes you say that? What was underneath it that--?

SM: They understood first that we did need to get some kind of commercial compensation for moving grain or we just weren't interested, and that worked in reverse for everybody. So, that was the first most important thing, but they also felt that they really needed to keep the rates regulated. But they also understood that they needed to put incentives for us to improve performance and to fight for grain market share. That structure was put in place, and it was very clever. You could do better, and sometimes at the expense of CP [Canadian Pacific Railway], if you outperformed in the grain side of things. You could get more cars out of the total government share of cars because they were reallocated based on market share on a rolling average. It was a very clever, if somewhat complex, structure.

NP: So, would it be too complicated to state generally the argument for and against?

SM: The Crow Rate?

NP: Mmhm. Because if there was no objection to getting rid of it, it would have been a piece of cake, and that was not the case.

SM: Not at all, not at all. I think the case for the Crow Rate was obviously goes back to the '20s and before that with CP, but the idea that the railways were given land and supported in the construction of the railways in the west and the quid pro quo was that the farmers were promised--. [Phone rings]

[Audio pauses]

NP: Just let me get you back on here. We took a bit of a pause for the telephone, so I've asked Sandi to start at the beginning of the pros.

SM: So, the pros for the Crow Rate relate to the turn of the century, that the Canadian government, having given land and financial support to both railways over time to build their networks in the west, and in exchange the promise was to the farmers that the grain rates would be held at a level set, I think in 1896. I can't remember exactly, but I think that was it. That was a long-time promise. Holding that grain rate down, I think, was very important to the development of farms in the west and allowing Canadian western farmers to get their product to market.

[0:10:06]

The problem became that with no adjustment for inflation, by the time we reached the '70s and early '80s, the actual rate was less than 20 percent of the cost of moving grain. So, the railways, without further compensation, had stopped investing in cars. They'd stopped pretty much repairing the rail lines that were dedicated to grain, and really felt that it was a drag on their financial performance. In the case of CN, at that time being government owned, we had a number of burdens if you wish of non-economic operations including passenger. That was pulling us down into being modestly in the red. Now, one can look at that and say, "Well, you're a Crown corporation. That's what you were supposed to do, and the government picked up the deficit." I think, though, it made it difficult to be a focused, competitive, efficient entity in a business world. It made us more Crown corporation-like in many respects. CP, on the other hand, was in the private sector and that was definitely hitting their bottom line, their competitiveness, their stock price, everything. So, one can look at it and say, "Well, you know, the promise was there, and it should have been kept." The reality was that it was working in reverse simply because neither railway wanted to invest, and frankly was not providing very good service either.

NP: You mentioned the point of inflation. So, did people say that was an oversight, that inflation was just not an issue at the time, because matching inflation rather than inflation plus extra profit are two different things?

SM: Yes, exactly. If you looked back at the '20s, '30s, '40s, '50s, even well into the '60s, inflation was not bad. This was a rumbling issue in the '60s but not a dramatic one. The inflation—the double-digit inflation—that hit in the '70s just took it into crisis proportions. So, at the end when I was involved in this, the freight rate was \$6, and our costs were—what we needed for return—was \$20 to \$24 a tonne. So, it was a dramatic problem, if you wish.

NP: So, what was the resolution? What transpired?

SM: After unbelievable and very vitriolic debate, finally the government actually—Liberals, I think, of the day-- Isn't that funny I should be able to remember that extremely well? [Laughs] Yeah, it was the Liberals of the day actually gave, well, they took the equivalent of what was a subsidy to the farmer to keep the freight rate low and paid it to the railways so that the railways could actually then charge. Well, actually, that's not correct. They allowed us to charge up to a certain amount and the farmer paid. So, in essence the farmer had been in a way subsidized before because he was paying the low \$6 average rate. But what they did, was they put in place a regulated freight scale that was distance based—the farther you were to the nearest port, the more you paid. It was a regulated scale with a ceiling on it. That's essentially what they did. They put that in place.

NP: And approximately what year was the--?

SM: I'm going to say 1984, but you have the historians with you. [Laughing] I haven't really thought about exactly which year these happened anymore.

NP: So, in the positions that you had afterwards, it would be pretty hard to be removed from freight rates. What was the impact of the change, both for the railway—obvious—but rail shipping patterns, rural economy?

SM: I'm going to go back and just say one more thing about the case against the Crow Rate. Because essentially what the Crow Rate did, while one could argue that between 1900 and 1925 perhaps it stimulated the development of agriculture on the Prairies—it got the farms there—but I would argue that after that period of time, really what it did was it encouraged all the grain to leave the Prairies because it was cheaper to send the grain out of the country than it was to develop processing here. If the Crow Rate had not been in place, Winnipeg would be Minneapolis. It is not because of the Crow Rate primarily because none of that processing really developed that should have.

[0:15:32]

When the Crow Rate changed, a few fairly dramatic things happened. You did, all of a sudden, see the livestock industry come to the fore because now--. I've got to do my thinking here. Do you want to pause it for a second?

[Audio pauses]

That's exactly it, okay fine. Yeah. So, what you did see with the change in the Crow Rate was I would say two major areas of processing development. One was meat processing—hogs in Manitoba, cattle in the west generally. And while there had been significant growth in cattle in Alberta, it became much more dramatic. That industry is much more developed than it was. And the other huge one has been canola processing, which has developed really with the crop. The crop was pretty small in 1985, but over time has gotten to be the largest crop grown on the Prairies. The investment in canola processing on the Prairies and the employment that goes with that is absolutely huge. That would not have happened if the Crow Rate had stayed in place. Pause it again? I haven't thought--.

[Audio pauses]

NP: If there's a bit of repetition it's not a big deal. So, we're coming back to reviewing the impact of the Crow and, I believe, when we paused last time, we were talking about the impact of processing. You were finishing off with saying that it had a big impact on animal processing.

SM: Yes, both hog and beef cattle development. Manitoba changed over time—these things do occur over time—changed dramatically in terms of the number of hogs, hog production in this area. It spread into Saskatchewan, and it expanded in Alberta, so it was very significant. I remember at one time doing estimates for the railway of how much grain we would not move [laughs] because it would be staying locally. It was in the 1 to 2 million tonnes a year that we thought over time, and did, end up going into the meat production area. Canola was another major story where, from the railway point of view, instead of moving canola seed—which of course we do—but also, we had meal and oil to move on the outbound from the crushers. And I think that's been a huge benefit both for farmers—canola has been a huge benefit for farmers—in terms of returns and processing.

NP: Uh--. Sorry.

SM: Yeah, I was just going to talk a little bit about the impact on the Thunder Bay.

NP: Before you do that, the impact on the farmers then because they were the ones that then lost their financial advantage of the artificially held-down rates. So, impact on the farmers?

SM: It was not an easy time. In fact, farmers have had a hard time in the '80s, '90s, and the early 2000s, but much of that one can look at strictly related to grain prices. Grain prices did not rise with inflation, and so when you hit them with a cost like the Crow Rate, that was just taking away from what was already a pretty small margin. I think economic pressures on farmers were huge during that period. And it wasn't just on farmers. The whole pressures on places like Saskatchewan with small towns disappearing and farmers having to get larger—incredible socio-economic changes that have occurred. Part of that was certainly the Crow Rate, but I don't think the entire impact can be put at the door of the Crow Rate. If you look at grain prices now, farmers are handily able to handle the economic freight rates, and I think despite promise made 100 years ago or at that time 70 years ago, one does have to move with the times. Your system is not healthy, and it's not competitive internationally unless you are truly economic. If you're being subsidized heavily or protected by tariffs, we're in a world now where sooner or later they've got to tumble because the world pressures are huge if you want to play in international trade. So, in a way, we're caught in a larger movement than just decisions at one point in time to get rid of the Crow Rate.

[0:20:44]

NP: Who carried the ball for communicating with farmers?

SM: You know, the government—I'm trying to remember the name, I can picture the guy. French Canadian, Jean Marchand, I thought did quite a phenomenal job--. [Phone rings]

[Audio pauses]

NP: Just cut it right there. [Laughing]

SM: Pretty sure it was him. Pretty sure it was Jean Marchand. Otto Lang was also very involved with that at the time, and it was a very, very tough thing to do. I think in the end, the farmer, in a very resigned way, a lot of them simply accepted it because they thought it was inevitable. They were concerned about the fact that the railways were not going to perform and that they would be less competitive on world markets.

NP: Now, we moved on--. That's one classic issue that has been on the table with railways and grain movement, marketing. Another has been, and you sort of referred to it in your previous comment, the availability of grain cars. So, what was your experience in that issue?

SM: I would frame it in a larger context which was the fundamental efficiency of the system. When I came in 1990, there were two or three major concerns that I got very involved in. One was our performance, and you can look at car cycles and all of that in terms of the efficiency of the railroad operation, but the efficiency of the overall system of which we were part was a very significant issue. The other issue which I got very involved in was trying to encourage further deregulation. But if you think about it, I think at that time—I was thinking back on this the other day—I think at that time there were 4,000 elevators on CN. It was incredible, and roughly the same number on CP. Then you had a terrific number of different grains and grades of grain, and the average car block size was about four. Then you've got—what, one, two, three, four—five major destinations. So, the logistics of the system were incredibly complex, which meant a huge amount of switching of two cars from here and three cars from there and sorting them all out into trains going to various destinations.

If you look at the system today, which has about—in fact, I saw the stat the other day—368 elevators, I mean, my god, this world has changed just dramatically! So, the system was very high-cost with a lot of things going wrong all the time—wrong cars getting to the wrong ports. I would say that in some measure that might be execution, but in some measure, it was also just the difficulty of doing it all. We were trying to do something very, very complicated in a fairly hostile environment, certainly in winter. So, it's not surprising there were very long car cycles. The other thing that was occurring at that time was there was more of a peak of demand in the fall. Over time what has happened, and it's kind of interesting, is the board itself, the Wheat Board, allowed the grain companies to move more of the non-boards in the fall. I'm not sure how much of this they did deliberately and how much it was

that they were so worried about making sales in the fall that they couldn't realize on, but I watched them hold back their programs, and while they certainly moved a lot of wheat, they would hold back their programs. Canola moved, a lot of other things moved, and the Board program smoothed out more and more over 12 months.

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That didn't happen in every year. If you had a small crop due to drought, it still ran out in the spring or late spring. But when I first arrived, the crisis of cars and having enough cars in the fall was just a huge issue. It seemed like no matter how many cars we had we could not have enough. In fact, often the cars were plugging the system. You could have too many and it could work in reverse, and that was at sometimes happening. One of the impacts from the Crow was that we had the car fleet that the government provided split between CN and CP, but we were also expected to bring in additional cars as needed—either acquire them permanently or rent them or lease them as needed—for the fall peak. I remember years when our share was about 12,000 cars, and I remember when we were up at 16 and 17,000 cars, and that's just our side of the equation. We were throwing a ton of assets into the mix between the grain companies with all those small elevators and the railways with all the cars, and it still wasn't working that well.

NP: The advent of the hopper cars, then, and the supplying of them—which even today now creates another issue—which we may get to. I don't know how much you'd like to talk about current situation. But the discussion then around who was to supply the hopper cars, switching to hopper cars--.

SM: The switch to hopper cars really occurred when the government bought hopper cars prior to the change in the Crow. They brought in a very—or built or ordered—a very significant fleet. That's really when that change occurred, and that was, boy, that was pre my time. That would have been '60s, '70s, I guess, '70s primarily. That was a huge boon to the system because you no longer had to have grain doors on boxcars. Loading and unloading a boxcar with grain was a very inefficient process. So, it was a huge jump up for the whole system when the government did those two things. One, repairing some of the branch lines—which really were in terrible shape—and allowing larger locomotives, and allowing the higher-capacity hopper cars to run on those branch lines. All of that investment in the '70s was critical to bringing the system to some level of actually operating. But, looking back at it now, in 1990 when I came into the grain side, in retrospect it was still incredibly complex and inefficient, what was going on.

NP: Would it be best for us to discuss the impact in Thunder Bay as just a separate issue later on where you can talk about all of the changes, including hopper cars, Crow Rate change, markets and so on at once, and the impact on Thunder Bay? Or did you want to talk about it now?

SM: Why don't I take a crack at it now? And if you think--. I may think of other things as we go as well. Overall, I remember in 1982 or so—I can't remember why I was involved in this—but I remember a statistic of something like 22 million tonnes of grain going through Thunder Bay. I think that was one of the peak years. I may be off a bit in volumes or years, but it was up in that order of magnitude. By the '90s it was at 5 million. It was huge. Now, part of that—but I don't think a very large part, I've never quantified it—would have been the growth in hog and livestock production in the eastern part of the Prairies. Part of that would have been Manitoba-grown grain going down south to the States, the direct hit by railways. Again, all of that is a post-Crow environment where things got to be more, well, freight-rates to the States were not even part of the Crow Rate even. We were in an environment which encouraged that kind of entrepreneurship.

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Another part of it was direct rail in the winter with the unit trains going to Quebec City, which I'm not sure when that started—I think it was probably in the '80s that it started, mid '80s, something like that—but the railways made very good money out of those direct trains to--. And of course, that was when--. Who owned the terminal at the time? Did Bunge own the Quebec City terminal which could actually handle unit trains? Which made it, again, it eroded if you wish the Thunder Bay volumes. But the major thing was really the change in markets. The West Coast became prime, and we were no longer shipping to Europe in the same way we had been. The total cost of the system going east, once you added up a post-Crow Rate plus the Seaway, versus moving on the post-Crow Rate to the West Coast it was actually cheaper. So, those were the huge, huge, dramatic things, and it was really we were no longer selling to Europe, and we had been for so long. In fact, Europe now, it's a larger exporter than we are, significantly. I think that's what I would probably say, other things may come to mind. Have you got other things that people have said that you want to trigger my thoughts?

NP: Well, we were talking just off-record about the impact, if any, of Churchill.

SM: Oh! [Laughs] Churchill. Even with the Arctic melting I still don't think I believe in the Churchill route. [Laughs] You know, Thunder Bay could handle in a long weekend what Churchill handles. Churchill handled about anywhere from, I think, the low was something like 85,000 tonnes—when we really thought it might get shut down—to, oh, 625,000 tonnes. Compared to 5 or 6 million tonnes in a not-great year for Thunder Bay, that's still a very small percentage, and it really went there for political reasons primarily. There's this very, very narrow window when the freight-rate—which is all still prescribed in the Crow Rate and still based on distance—when that freight rate plus the ocean rate in a window in July can be actually cheaper to some places in Europe. But, I mean, the hassle? No. Churchill did not in any way threaten Thunder Bay. I don't know about the future in that. I have trouble imagining that this will be a viable route, although if it's open eight months of the year with global warming then maybe one has a different view of it, I don't know.

NP: Well, Thunder Bay with global warming will be open year-round as well.

SM: Exactly, exactly.

NP: Okay, so good to have that on record all in one place. Certainly, that's the story that I've been getting over and over again, so nice to have that confirmed. Now, another major change—and you started to refer to it—was the rationalization of actual delivery points. It's interesting that you say that the number of Prairie elevators that there were because one of the things that we have at our display in Thunder Bay this summer is the western delivery points. As far back as, well, what I had heard was 6,000 was the sort of high point--.

SM: Yeah, I could believe that.

NP: And now down to about 350, which is really quite amazing. So, how did that play out? And where were you in the system when they went through that?

[0:35:03]

SM: The year before I came west, Peter Gosman, who is the fellow who was in charge of grain for CN prior to me just for like '88/'89, he was an unbelievable railroader and mind. Peter died in the '90s of a brain tumour when he was very young, but Peter was the one who I would credit with the idea of the discount on the rail rate. In other words, an incentive rate for delivering car blocks to the railway. Peter kind of instinctively put this idea forward and pushed it, and there was actually at the time there was a legal case as to whether the railways were allowed to discount the rate. There were people in the Prairies, I remember hearing about a nun who appeared before whatever tribunal it was—I presume it was CRTC or somebody like that—saying this was going to change the whole fabric of the Prairies and should not be allowed to happen. We didn't even think of it that way. We thought the system has to get more efficient. How can we, sitting where we sit, how can we engender change?

And here were the problems. The farmer had an average of seven miles to deliver, something like that. There were so many elevators it was a very short distance to deliver. And his farm was a lot smaller than today, so he had small on-farm trucks. He wasn't dealing with commercial truckers at all, and he needed a short distance so that he could make it there and back with several loads in a day when he was delivering. So, the farmer had no interest whatsoever in huge elevators that were farther apart. That was not on. Nor did the grain companies because frankly they had, most of them, very old networks that were falling down around their ears. I mean, they were very old elevators, a lot of them going back to the '30s and '40s that had not been rebuilt. Now, that wasn't

totally true. Manitoba Pool had quite a healthy system of larger but wooden crib-type elevators, but by and large you had a lot of run-down small, old elevators that were completely depreciated. So, any tonnage going through them, the profit was just going to the bottom line.

They also understood--. People rant and rave about the grain companies not being competitive, but they are. They're very competitive. They're in a tough business with pretty small margins, and certainly at that time they were small margins. They understood that if you shut elevators in a small town and built another one that was serving five towns, your whole market share was at risk with farmers. So, they didn't want to get off the pot and do anything. It was really the railroads who had the clearest incentive to try and rationalize the system. I remember fairly early on when I came, we were doing some strategic work and looking at how the system worked and the economics of the system. We realized that the margins of the grain companies, particularly at that time, were very small, and that we had felt that our freight rates are--. There's a ceiling on the freight rate with the Crow, we're not making that much money. Can we really afford to offer these discounts? Because, you know, the discount at the time I think was \$1.25 or something—I can't remember what it was—but for a 25-car block. Boy, would we be happy if we got a 25-car block.

But when we did the modelling of the system, we understood that not the profit so much as the contribution to fixed costs that we got moving a tonne of grain was far larger than the contributions to fixed costs that the grain companies got from moving a tonne of grain. And what that meant was relatively small incentives on our part could put terrific pressure for change on the grain companies. CN was the one that pioneered the discount. CP did not want to get into this. But first of all, we put the rate scale out there for 25s, 50s, and 100s. Then I would say the next crucial step was that we found a partner in Cargill. Cargill, because of its experience in the States, was getting into high throughput elevators, the first concrete elevators, and what we needed was a major company to break ranks, you know? Not really break ranks because that's not what they were doing, it was just for them it was a huge capital expenditure, a huge risk of market share, and why would you try and do it, even though, when you talk to the presidents of the companies, they knew they couldn't keep all of these small elevators open. But it was totally problematic for them.

[0:40:53]

NP: Now, just a question that is raised in my mind then. So, what pre-dated what? The consolidation of the farms—because almost hand in glove the farms were getting bigger, smaller operators—so what precipitated which? Or allowed the other to happen with--.

SM: You had a whole bunch of forces, and in today's terms we'd call it a perfect storm, right? Because what was really pushing the farmers was in part the Crow Rate, but primarily just low grain prices. They had to, when the old guy went out of business with his half-section or his section, his son and maybe two sons wanted to take over that, plus another farm and rent because they couldn't

survive on the small--. So, there was that huge economic pressure on the farmer. At the same time, you had the province of Saskatchewan looking at issues of providing education and healthcare to all of these small little communities, and they were choosing which ones would get hospitals, you know? And at the same time, we were providing the incentive rates to put high throughput elevators in place, which in the end also closed branch lines and hit small towns.

So, it was coming from a lot of different angles, I would say, and it was happening really in parallel. It was amazing. The farmer was getting larger, and it wasn't because he had to truck longer distances alone that he got larger. He got larger because of these other pressures, but that meant that automatically he was going to have a bigger farm truck, or he was going to have a brother who was a commercial trucker. All of a sudden, delivering to elevators, there were new solutions and new possibilities for delivering the longer distances. So, it was all going on at the same time, and it was immersed in difficult politics, and rightly so because it was a very sad and difficult time for the Prairies to go through. When you think of the change, it's amazing. The town that my husband comes from, or his farm was nearby, doesn't exist anymore. There's a pump on the corner, an old hand pump and that's all that's left of it. [Laughs]

NP: Where was he from?

SM: Oh, he was from a southeastern corner of Saskatchewan. South of Moosomin area. Walpole was the name of that famous town.

NP: When you think back now from the advantage of a couple of decades going by, good thing or bad thing for the Prairies? As you said that nun, she predicted it.

SM: And this is what the east is going to go through with supply management. You know, a whole way of life disappeared. On the other hand, I think one has to say, "Could that way of life continue?" The pace at which it changed might not have had to be so radical, although one of the problems I think was that nothing changed for a long time. The railways didn't change. The grain companies didn't change. Nothing changed until you got into the '70s with inflation, and then radical changes with freight rates. In the '70s the grain prices were pretty good for the first two-thirds of the--. It meant all of a sudden, all hell broke loose, and all of these economic pressures came to bear. So, it happened very quickly given how settled it was before that, and that was sad, but it had to happen. Now, the Prairies, it's a radically different environment that people are going back into farming, and there's money in farming, and money in processing. It's a very healthy environment again, an exciting environment, so.

[0:45:30]

NP: But not necessarily any communities?

SM: Many, many communities have died. On the other hand, the places that became centres around all the small towns that died—whether it's the Moosomin or the Kindersleys, or the Winklers—those towns are prospering in very fine ways now.

NP: Another question that comes to my mind is, from an energy conservation perspective, what impact has all of this had? You know, often discussion is that if you can send things by rail rather than trucks, so any comments on that?

SM: You know what I'd say? This is just pure gut and is probably me reacting on the other side too, because there's no question. If you have more trucking and less rail, there's a negative impact from that. But the overall efficiency of the system—the reduction in cars, in trains, in everything—getting to and from the port, and the really close planning now that goes in that grain doesn't leave the farm until it's really needed in the system and then gets graded and pulled through the system, if you really measured all of that I wonder what your energy equation would be. Because we had more elevators doing more elevation, we had a lot of other--. We had far more activity at terminals, so there was other inefficient uses of energy. So, the equation I guess maybe is not as bad as one would think. It also took the railways to what they do well. Railways are not good at onesies and twosies being picked up and going to a spray of destinations. They are good at long distances, car blocks, big volumes. That's kind of what we were driving towards.

NP: Which brings up another topic that from way back was an issue, and that's producer cars.

SM: Ah! I think producers need to have the right to have producer cars. I don't think in most instances they really need to use them much, and I say that only because I see the competitiveness of the grain companies. Even consolidated now, the grain terminals are in clusters. They're in clusters primarily at pretty big centres, and so a farmer—particularly a farmer who is willing to drive 25, 30 miles—has quite a bit of choice. I know from Richardson how closely we monitor market share. We certainly believe there's competition out there more than there is between the two railways, which is kind of a duopoly and they're more spread around. But you've often got a choice of three, four different companies and elevators within your radius. So, I would say it's a very healthy competitive environment. That being said, I think the stick of the producer car is something that should be there. I am more than happy to see it on short lines, in particular, where a short line is able to deliver to the main railway a block of cars. I think that's fine. That's great.

NP: Now, we didn't really go through your history, and it might be surprising to people listening to this now when you say, "I know from the perspective of Richardson's." So, we didn't talk about--. [Laughing]

SM: Oh! Yes, I guess we talked about it with the farm.

NP: We talked about it off-tape. So, just run through quickly the years that you had mentioned and what you did. I'll pass this to you so that--.

[0:50:12]

SM: [Laughs] Okay. So, in terms of positions that really had a lot to do with grain, I was assistant vice-president of grain marketing starting in 1990 to about 1995 or 6—what did I say? 1995, that's right. I actually moved out to Winnipeg at that time in 1990 to take that position. Then staying in Winnipeg, we restructured somewhat the railroad, so my title changed. It was vice-president of western Canada and grain. When I say that, I wasn't vice-president of all of the operations of western Canada by any means, but I was viewed as a representative of western Canada in Manitoba and Saskatchewan, as well as being responsible for grain. By then, that was the time at which CN had privatized and shortly after that we acquired the Illinois Central, so this grain position was also responsible for movements in North America—and we had quite significant grain movements in North America as a whole, which made it interesting on that side too.

Then in 199—what did I say here—8? Yes, it was in and around there, early '98, I moved back to Montreal into the heart of Darth Vader's empire. [Laughs] I loved being out here in the field. Didn't enjoy headquarters at that stage as much, but I had an interesting job. I was vice-president of market development, and some significant portion of the job was looking at market and network strategy in North America. That was very interesting. You were looking at all of the commodities we were moving and their relative economics, and where the freight rates should be for that commodity and those kind of flows. So, you learned a lot about all the different commodities. It was a very, very interesting job.

Then we reorganized again and in late '99. I was moved back out here, responsible for both grain and fertilizer, so all of the potash and stuff like that. Then I retired in 2001, and I guess about—I don't know—four or five months after I retired, the Richardsons approached me and asked if I would be on the board of Richardson International, which is their grain division, which has been a heck of a lot of fun for the last ten years. It's been very exciting.

NP: Okay, great, so we have that. Probably not in the right order, but the advantage of this is you can cut and paste. [Laughing] So, we started talking about the rationalization. I know it was, from others, it was not an easy time nor is it simple, but can you make it as simple as possible? A summarization of--?

SM: Yeah, yeah. Because from our perspective, anyway, it was pretty clear what we wanted to do and how we wanted to do it, or how we thought we should approach it. So, we had understood this fact that a fairly small rebate from us for a car block actually was very meaningful economics to the grain companies to incent them. They were our customers. We made it clear to them where

we thought the most efficient rail lines were going to be, which rail lines were likely to stay, which rail lines were not likely to stay in the long term.

NP: Was there a CN study? Like there was a government--. Was there a commission set up, or did CN do its own?

SM: I'm trying to remember. We certainly did our own. I'm trying to remember whether the--. Certainly, transport had their own modelling done. It wasn't anything surprising. You could see where the volumes were. You could see where the communities were. The grain companies wanted to locate in places where farmers wanted to haul, so those towns, the ones that were growing—like the Kindersleys and the Lloydminsters and the Winklers, et cetera—the towns that were growing is where they wanted to put the elevators. By and large, those also matched up with where our strong mainlines or secondary mainlines were. So, anybody could analyze the system and be 95 percent right in their predictability of what was going to happen. So, we did not want to offer discounts for car blocks on lines that we thought were going because that meant huge maintenance costs on lines which we felt should go.

[0:55:32]

So, it was a time of terrific difficulty and bitterness for a lot of Prairie people. In fact, the Crow Rate over time, there was such bitterness between the railways and the farmers that when the Crow Rate was passed, part of the new legislation required the railways to go out into the Prairies every year and hold farmer meetings. I think the requirement was for something like six farmer meetings, two per province, something like that. But we had decided that we would not survive long-term with such a dreadful relationship with farmers, and we knew tough times were ahead. So, we did a lot of farmer meetings. When I was there between 1990 and '95, we would do 30 to 35 farmer meetings a year, and I made all of my group--. When I think about it, some of these people who are more junior--. Because they were pretty tough meetings. People would come who were really, really, really unhappy, and there was no way there was going to be sweetness and light by the end of the meeting, but all my staff took training in delivery, and we had presentations we put together on, and we faced into those issues.

I'd be up in Tisdale or Swan River talking about Churchill going, and you'd have this whole room of Churchill supporters, and you just had to stand up and say what you believed had to happen and take the flack. But at the time, I think it was better to do that than just be back in our backrooms. In most cases, we were very honest about what we thought would happen with branch lines. In the end, the rationalization went further than we had predicted in 1990 to '95. There were lines on our map that we thought would stay that later on in the late '90s and into 2000 were sold off as short lines or whatever, which we had thought were core to the network, so. [Laughs] It went further. So, we did the incentives, we communicated with our customers, our customers then built terminals, and the grain was pulled away from the smaller centres by and large.

The grain companies also understood that lose-lose was to spend a lot of money on a new grain terminal and then not close the small elevators around it because the grain would never move. They were the ones who really had to get out there and communicate hard with their farmer base. For Sask Pool that was just unbelievably hard. But that's the way it worked.

NP: So, one of the other things that you said that is of interest is the--. At the time you were doing the strategic planning and looking at the north-south flow, and starting to move more grain north-south, personally I find that sort of historically interesting because both of the railways were developed to create an east-west flow.

SM: Yes, yeah.

NP: So, just comment on that.

SM: Yeah, and I'll comment from a grain perspective. The grain story you can also see in other commodities. Canada was producing a surplus of grain, so the grain was not needed on an east-west network except to port. What was happening was with NAFTA--. Like when I went to Montreal, but even before, NAFTA was there, and the action was going north-south. That was one thing. The second thing was the US rail system had consolidated very significantly, so you had two big railroads in the west of the US—that was Union Pacific and Burlington Northern—and you had two big railroads in the east, which was CSX and Norfolk Southern. Then you had the two railroads in Canada going east-west.

[1:00:11]

I'll take us away from grain for a second and say imagine the lumber from BC, much of it was going to Florida and Arizona because that's where the huge housing booms were. [Laughs] Right now it ain't so great, but it'll come back in some way. We looked at it strategically and said if Burlington Northern, for example, merged ever with one of the big US eastern railroads, then they would be saying to us, "You can bring the lumber from Prince George down to Vancouver, and then we'll take it to Florida." Whereas what we were doing was taking it from Prince George through to Chicago and then handing it off in Chicago—and all railroads serve Chicago—so you could play CSX off of against Norfolk Southern to get the best freight rate share on the whole thing. So, we were very concerned at the time about, A, going with the flow of trade, which was viewed as being more and more north-south, but also playing in a North American environment where we were not going to be frozen off in the north.

So, when we acquired the Illinois Central, which was the railroad from Chicago straight down to New Orleans, even though it didn't penetrate deeply into either the east or the west, you still had the option if you wanted to is to take goods down it and then

truck them in. So, you could at least try and keep those big railroads honest. That was the kind of thinking we had. The other thing with NAFTA was we wanted to build a really efficient route to Mexico so that we could penetrate through the US and not be too dependent on US railroads or have some kind of partnership in place that would allow us to have reliable goods service into Mexico. Grain played into all of that because we started to look at export, again from the Manitoba-- . The Thunder Bay catchment area is also the best catchment area for grain going to the States, and it's to processing in Minneapolis—to processing that probably should have been occurring here—but going into Minneapolis and other parts of the Midwest for processing. We did a lot of thinking and planning and service design around slick competitive movements into the US.

NP: So, you mentioned buying the railway down from Chicago to New Orleans?

SM: Yeah.

NP: What was the route to Chicago?

SM: Ah! We had rail lines going way back to Duluth, Minnesota, but not beyond. What we did is in about 1996, something like that, we did a deal with the Wisconsin Central to have running rights across them.

[Unknown]: Hello!

[Audio pauses]

NP: I'll have to turn you back on. All right, so we were talking about the historic route through to Duluth.

SM: Right, so we got running rights on the Wisconsin Central so that we could run our own trains from Duluth into Chicago. Then we eventually, a few years later, bought the Wisconsin Central. So, now we had, from the east we've always had access into Chicago, from the west we now had access into Chicago, Winnipeg, Duluth, Chicago, and then we still do our spine down the Illinois Central into New Orleans.

NP: Was there any delivery of grain to Duluth for shipping, or was it mostly--?

SM: No. You know, the only grain that went to Duluth-- . It's interesting. There are very big storage elevators in Duluth, and companies like General Mills in Minneapolis used to buy oats, and we would move them into Duluth for storage, and then they would pull them into Minneapolis when they wanted to process the oats or move them further. So, I can't remember any movement

of grain that actually went out the Seaway via Duluth, it would go out Thunder Bay if it was going out the Seaway. But Duluth was sort of a strategic storage point for companies like General Mills—and I think that only applied to oats. I don't know of anything else it applied to.

NP: Have you said everything you wanted to say, then, about the rationalization of the--?

[1:04:50]

SM: There's one other aspect I would talk about and that is that in the early '90s—'93, something like that—we went from the post-Crow Rate structure, which was an absolute amount for each distance point. It was changed in about 1993 or '94 so that we went to a revenue cap. So, in any one year, each railroad could earn no more than X, and X was multiplying through by the old historic freight rate structure with the volumes and saying, "Okay, if those rates had been in place, this is the total that would have been earned." So, and this is still in place now, we're not allowed to earn more than that revenue cap. And occasionally they review costs and stuff like that to change the cap, but the structure is the same. That was hugely important because it allowed us the flexibility to increase the discounts for larger car blocks. So, it actually allowed us to provide the grain companies with more of a return on those big, huge structures, essentially. Like I don't remember exactly, but the freight rate incentive went from about \$4 or so for 100 cars up to \$7 for 100 cars. And over time we dropped the incentive for 25 cars, so it was only 50s and 100s, but there was a lot more. So, having the revenue cap gave us that flexibility.

NP: What was the philosophy behind the revenue cap?

SM: Again, it was the issue of, with a duopoly in place, the government was not comfortable that there was sufficient competition between the two railroads. So, they put the lid on the freight rate and then changed it to a lid on the total amount that could be made by the railways moving grain.

NP: In the States, because you said there's really—would you call it a duopoly on the east and the west?

SM: Yeah, very much so.

NP: Was their rate structure similar?

SM: No, no. There's always been far more regulation, not just in grain but overall, in Canada with railways than there is in the States.

NP: So, no cap in the States?

SM: No, no. And the freight rates, I'm not up to date, but certainly when I left the freight rates that Burlington Northern charged to go from North Dakota to Seattle or Portland were significantly higher than our rates. That's going to be one of the interesting issues coming up here is if you can move US grain through Canada now, at what rate is it going to move and through what port is it going to move? There's going to be lots of interesting questions there.

NP: Lots of interesting questions, and one of the questions I have, do you see a time when the railways will not ship through Thunder Bay, but will ship out of--?

SM: No. I think it's a fundamentally efficient route. As far as I know, they're building new lakers these days. No, because while there's been a huge shift to the West Coast and the Asian markets, there are still markets that want to be reached via Thunder Bay and the Seaway, and we haven't seen the story on South America unfold yet. I mean, the southern half of this western world is going to go through huge changes in the next 50 years. Brazil is coming into its own, Argentina is coming into its own, and many other countries will, and that is going to change the equation. Quite a bit of that grain certainly—grain or other products—that we want to move out through the East Coast and down to the East Coast of South America is going to move that way. So, let's wait and see. Argentina is a big grain exporter, but the world can change in amazing ways. I'm far from sure that route's gone.

NP: Now, you mentioned the possibility of American grain being shipped across Canada. How does that happen? Besides the difference in freight rates, how does that--?

SM: It's got all sorts of problems with it because right now we've got a lot of regulation on the types and grades of grain that can move through our system. So, to move US grain it would all have to be separately binned and handled. I'm not sure how economic that's really going to be to do that. I'm not sure whether the railways—and I'm not privy right now to any of the strategies—but I'm not sure whether the railways are really going to want to get into that business or not, because, frankly, if they do, BN [Burlington Northern] is going to respond. BN is the major east-west, so I think they'll just get into a pricing war for a short time and then what'll be left? So, if you've invested in cars and everything to do that move, are you really that much farther ahead? There's going to be a question there as to whether it makes sense.

[1:10:42]

NP: The movement towards international companies coming in increasingly to the Canadian grain company market, is that a possibility in the rail? Like Burlington Northern just decides, “Well, I’ll just buy out CN or CP”?

SM: I don’t think so. Interesting, back in the late ‘90s when I was in Montreal, when we were looking at that whole issue of what do we do with these four giant railroads south of the border, our first initiative was to try to merge with Burlington Northern. We had reached agreement with Burlington Northern on a merger with our headquarters in Montreal, believe it or not. But it was, after very tough debate, it was thrown out by US regulators. They would not let one of their major railroads merge in such a fashion with a Canadian railroad. I think there’d be exactly the same political issues here. I think it’s very unlikely. Also, what we discovered when we did that, when we tried to merge with Burlington Northern, was that it was going to upset the entire competitive balance of the big railroads in North America. I think it would have driven further consolidation, and I don’t think the governments on either side want further consolidations. So, I think it’s not likely to happen. I think it really would reduce competition and I don’t think anybody wants further reductions in competitiveness of the railroads.

NP: Before I ask you a question about again looking at hindsight, are there other major issues that you dealt with in your positions that we haven’t touched on yet?

SM: I mean we’ve certainly dealt with the core of the major ones. Yeah, there’s one other thing that’s very interesting. I talked about the grain companies didn’t want to rationalize because as soon as they built one big elevator and shut the others, they would annoy the farmers who would go to the other elevator, right? So, their market share was up for grabs when this happened. But the same thing happened to the railroads, of course, because once you say to Richardson or Cargill, “Build a high throughput,” well they could build the high throughput on CN or CP. So, a huge dynamic for really me and my time, the grain group, was to attract the elevators to our lines. It was a very, very competitive process. We were paying the grain companies substantive incentives upfront. Like first of all, we’d build all their trackage for them, and often that was like \$800,000 or \$1 million, which was a lot in those days. [Laughs] Now it’s less, but it was a lot in those days. Plus, we would have other incentives for-- We didn’t build it into the rates. We kept the rates strictly related to the car block sizes. It was simple, it was clear, and it drove-- We could always talk about efficiency, but we would help them with additional funding for their actual projects of building a new elevator.

NP: I’m a little puzzled about that because my limited knowledge of the railway would say that CN was mainly north route, CP south route. So--?

SM: You’d be surprised. First of all, the elevators are now 50 miles apart, and I think—I don’t remember the exact statistic—but in my head would be something like 65 percent of our grain was within less than 50 miles of a CP site. So, I mean, there was a lot of shift that could happen. A lot. So, they weren’t seven miles apart by any means, but they were close enough that it could make-- In

big centres like Saskatoon, Regina, places like that, they were very close. You were really fighting. Edmonton--. CP served Edmonton. We served Calgary. No, a lot of money was spent attracting elevators to the right line.

[1:15:47]

NP: And the result was a pretty even distribution would you say?

SM: Yes, and hard to measure because at the same time that was going on, agriculture was changing. First of all, it was extremely hard for us to measure our market share gains or losses because every year the crop was different and every year this region would be hit with a drought, that region would have a fantastic crop, so your market share shifted from 54 to 46 percent. Ours did in and around there. You were never quite sure what it really should have been. So, it was a very inexact science. In the end, one of the things that happened was, well two huge things happened. A huge growth in canola. Canola at that time was 0.6 of a tonne per acre was grown, whereas wheat was about a tonne of wheat for an acre. So, you looked, and you said, "Oh, my volume's less" because at that time canola grew well in the north and not in the south. The south was too dry. So, the wheat stayed in the south. Canola was in the north, but that was quite a big factor in our volume.

In the end, I think toss it up and fight over it and it all came back down about the same. But at the time, man, were we sweating it [laughs] and measuring the life out of it and worried about it. But I think both of us were fighting very hard for it. Also, the grain companies knew what towns they wanted to be in. Some of them were jointly served, like Lloydminster for example, but many of them you had to be well out of town if you wanted to be on the other railroad. Yeah, it all went up in the air and flew back down and was about the same.

NP: Now, recently—I try to keep up by reading the *Western Producer* and the *Manitoba Cooperator*—yet again the railways are in the news because of, well, it's probably unfair to say failure to perform up to what somebody thought was correct, related to the farmers. What's going on there?

SM: Well, again this is past my time, but that service complaint dates back now a lot of years. That's not to say--. Well, actually, I have to say when CN acquired the Illinois Central, part of the deal was that their president became our chief operating officer, and that's Hunter Harrison. Hunter was not easy to work for. That can stay in the record. [Laughing]

NP: Well, you know some of the best brains are not easy to work for!

SM: No, not at all! He was clearly not comfortable around women, but he still is an operations genius. That's what he cared about was operations. I mean, he had the screens in his office. He'd be in there at 2:00 in the morning watching the screens, identifying cars that hadn't moved for three or four days out of some yard. Absolutely amazing the intensity with which-- And the knowledge. He started out in Memphis, Tennessee, right in the yards in the tough stuff, so he knew that environment extremely well. He knew, still does understand, what makes a railroad tick from an operations point of view. For example, he took some of our very best people and put them in jobs that were not vice-president level, but he knew where the jobs that made or broke whether the railway worked well. Over time, he elevated the importance of those jobs and paid them much better. It was very smart.

[1:20:10]

Car management, you know, looking at all the patterns of car movement and optimizing them. Service design. Designing all the train service. Those used to be fairly middle-management jobs. Well, they're not because it's the heart of how the thing works. That and measuring the hell out of it. Anyway, CN has changed dramatically, really dramatically, if you look from the time of when we were a Crown corporation. We now have the best operating ratio—I'm sure you know that—in North America. Service is working a lot better. Now, it can always work better, but I would say today CN does not have the same problem with grain that it did for years and years and years. On the other hand, things could change, things could deteriorate, and it could happen easily again. CP is going through a tough time right now. You see all the headlines that's going on.

The right heart of the issue that's going on right now after the service complaint, following the service complaint, is whether or not the railways will be virtually forced or legislated into entering into service agreements with shippers. The heart of that complaint is railroads. If the grain companies or any other shippers don't unload the cars quickly and make them available, they're charged demurrage. There's all sorts of efficiency charges that the railways have now imposed on shippers and they have the legal right to do that. The issue is the shipper doesn't have any legal right to impose a reciprocal efficiency penalty on the railroads. That's the heart of the issue right now. Quite frankly, now that I'm sort of not having to defend the position, I think it should be a level playing field, and I think there should be reciprocal penalties for non-performance. The railroads should be able to perform up to standard just like the shippers should be. I think that case is slowly and painfully evolving in that direction. How long it'll take before they sort it out? I don't know.

NP: Interesting. I was talking to somebody who was involved with one of the rail companies in Thunder Bay in the operations side, and we were talking about, "Well, what happens if a trainload of cars doesn't show up?" "Oh, well. We just wait for the next one." And I thought, "Hm." [Laughs]

SM: No, that's right.

NP: “Who deals with that?” “Oh, you know, well, it happens” So, that’s interesting. That’s interesting.

SM: It happens. The grain companies are now, communications are very good. They’re watching the cars just as closely as the railways are, and there’s a lot of dialogue between them. There’s a lot of cases where both sides are working to try to really make the right thing happen in a way it didn’t in earlier days because the grain companies were not as on top of it. The information was not as timely. Now they can. It’s a team sport, but there still should be penalties on both sides, I think.

NP: Interesting. I’m so pleased so far with how this interview is going, and I’m just thinking, “Oh! I have all these other things to ask!” One of the things that has changed—and I really haven’t asked many people about this just because it’s a very sensitive topic for a lot of people—but when you’re talking about just the issue we were talking about now, where I said the person said that “Well, it doesn’t matter there’ll be other grain coming in.” When wheat was a major commodity, and when the Wheat Board was watching out for this, and yes, there would be other cars coming—and it may not matter so much that they shifted something that was going to go to Sask Wheat Pool over to Richardson—but that’s not going to be the case anymore. I’m interested from a railway logistics perspective what the demise of the Wheat Board as a really major player in car allocations and shuffling, when necessary, how’s that going to play out? It’s a guess. I’m interested in your guess, but also, I’m probably not aware of all the implications.

[1:25:21]

SM: Yeah. Hm. Where do I start on this? If you go back to the days of pooling-- Do you know what I mean by pooling? That was where any Wheat Board car coming into the port could go to any terminal.

NP: And it would just be “You’re getting 20 cars”?

SM: Yeah, yeah.

NP: Yeah. Doesn’t matter where they came from or whatever, if they’re proper grade, away they go.

SM: That’s right, that’s right. That had certainly some efficiencies with it. On the other hand, the grain companies had little to no control, and often there was too much grain in the system. If you look at during the Wheat Board period, if you look at storage costs-- How do I say this? Pooling was really, for the railways, a very positive thing taken in isolation. But overall, it’s easier for us—and how we work with canola and anything else—it’s easier for us to work with one central team from another company to

move the grain where it needs to go than it is to be working with both the Board and the grain companies, who frequently were not seeing eye to eye on what should be picked up where.

So, the Board was always sort of like this parallel elephant because it was responsible for a huge portion of the movement. So, it had its team. The railway had its team. The grain company had its team, and sometimes the other railway needed to be involved as well. Overall, on balance for me, the Board added complexity and cost rather than saving cost and complexity simply because if you can talk to Richardson, Cargill—doesn't matter who—Viterra, and say, "Here is the plan for the week, and here is exactly where it's coming from. Here's where it's going to. Here's the ships that are coming in," and not have a process where halfway through the week they discover they're allocated a different number of cars. So, they're reshuffling their deck with interests on both sides sometimes conflicting, and the railway in the middle. It has not been as helpful as having the system more streamlined. I think it's really that simple.

So, from a logistics point of view, I watch—and this happened when I was still there working with Pioneer at that time rather than Richardson—and I'll use an example because I'm more current with it now, but we were really aligned in many ways to try to--. Every day on that team you'd hear exactly what needed to happen. There were conference calls going on at the right time and the right places, and it was very close. The canola moved through the system, even though it was harder to handle and harder to clean, it often moved through the system in a much more timely fashion to ship than the Board grain did. So, on balance, from a logistics point of view, I think we're actually better off. Now, we'll see. But in the end, we had an easier time moving the non-boards than the Boards. That tells me something because the non-boards are much more varied. You've got lentils and peas and God knows what, which have more requirements at the terminals, and we had an easier, clearer time managing those than we did the wheat after pooling went. So, that would be impose the penalties on both sides, force the logistics to get tighter and tighter between the two of them, and keep it as straightforward and simple as you possibly can. I think that's the way to do it.

[1:30:00]

The other thing was that a lot of the non-board grains moved to the customer with the vessel arrangements made by the grain companies, whereas the Board was all FOB the port, which gave them less control over vessels coming in. Now, I'm talking West Coast here. I don't know, I think with the lakers they worked much more closely. In fact, the Board did contract directly with the lakers, I think, whereas in Vancouver, their responsibility stopped at the terminal. Then the customer had arranged the vessel coming in. While they certainly did coordination, they didn't have the same contractual relationship. Whereas on the non-board side, most of it is contractual by the grain company right to Yokohama or whatever the final destination is. That, again, smooths out the logistics. One nerve centre.

NP: It will be interesting because one of the things in Thunder Bay lake level is having to go from elevator to elevator to top up. Without a cooperative effort between--. It will be interesting.

SM: That's a very good question. That's an interesting question. Did they play a role in Thunder Bay that--? Because, you know, very little of that goes on in Vancouver. I know that port more because it had so many problems with so much volume going through that you spent a lot of time talking about it, whereas Thunder Bay was always so much under capacity that it handled so easily whatever was thrown at it. Generally, just not a problem. But that is a very good question because they do, they bop from one terminal to the other and it was the Board that was directing what they took where when. You should ask--. Well, I'm sure you will [laughing] be talking to the terminal operators there because they're the ones who--.

NP: Yeah, and in a lot of instances now it is. A lot of people will end the discussion about this time post Wheat Board era, "Time will tell."

SM: Time will tell. The other question for me still is, "Will the Wheat Board survive or not?" I mean, it won't survive in its old definition, and it won't survive with the sort of control. It was a completely different environment, and whether the gang that are there can adapt to the new environment and whether you absolutely need assets--. I mean, it's a tragedy what happened last year because there was a window when the Board could have come forward and said, "To operate in the new world, this is what we need." There would have been a lot of political support because farmers want a dual system, the majority of them. They don't want the Wheat Board to just disappear. They could've asked for assets. They could've asked for legal rights for access. They could have asked for all sorts of things, and they didn't. Now they're picking up the pieces, and I worry. I wonder whether the guys that are there are really going to be able to switch hats to the new world. It's going to be very interesting.

NP: Was there a time limit on the ability to ask? Or could they still ask?

SM: No, it's--. Well, they could, but the leverage was before the legislation was passed. From the point, it was almost a year from when the Conservatives announced that this was going to be the game plan and invited the Board to say what they wanted, if they had really gotten out there. They've got a terrific political machine behind them. They can get out there and be very loud and clear about what they want, and they would have gotten a lot of farmer support for it. But instead, they still fought the change to the bitter end, and that was a choice they had to make was, "Maybe we'll win by fighting." But by not doing that, they lost the leverage because now the Act is passed. It's not as easy.

NP: And time will tell.

SM: Yes, and time will tell.

NP: Since we're talking about the Wheat Board, and all of your time was in a Wheat Board era, what was your--. I'm moving in now to the connection with various segments of the industry. You've talked a lot about the interaction of the railways and the companies. What about the interaction of the Wheat Board with CN?

[1:35:02]

SM: With the railways? Generally, it had to be close. The guys on both sides doing the day-to-day had to be close and had to work well. So, at a top level you had to keep relationships good even though at times it was awkward in terms of whether the grain company was driving something or where the Board was driving something. The railways could be caught between the vested interests of one versus the other.

NP: Can you give an example of where that might be the case?

SM: Sure! The Board would want to move grain to Prince Rupert that the grain companies would want to move to Vancouver because they made more money going through their Vancouver terminals. The Board would want to move grain through Churchill rather than Thunder Bay and the grain companies wanted it to move through Thunder Bay. There were lots of instances where--. Or the grain companies had a very hot-to-trot shipment of canola that absolutely had to get there for a vessel and was in the way of what the Board's program needed to be. There were lots of things like that where the railway would be pulled on both sides.

NP: So, how would you decide? Like what would be the--? "We gave into the other guys last time, so now it's the other"? [Laughs]

SM: That went on in that system all the time. "I really helped you out last week." [Laughs] "This week I've got to help out somebody else." That kind of thing went on all the time, between large shippers and small shippers too. That same issue was around, and that's another dynamic that was very difficult. The relationship though with the Board was generally very close. It had to be. We used to bid very aggressively CN versus CP for the long-haul rail in the winter because it was a whole extra movement for us and extra profit. In fact, it got down to the point that the freight rates were so low there wasn't much profit left, but otherwise we just weren't moving grain east at all, whereas that was a very long-haul from the Prairies to Quebec City.

NP: So, what happens to that now in a non-Board situation? Assuming that even if the existing Board operates, it will not operate at the same volumes. What impact do you think that has on the railways that--?

SM: Well, I think those movements will still continue, although it's quite interesting because Bunge who owns the terminal in Quebec City doesn't own any grain elevators in the west, but I'm assuming that they will partner with whether it's Viterra or whoever else who wants to move grain through their terminal. Then the natural thing, if I'm Richardson and I've done a deal with Bunge that the grain's going to move through that terminal, then I'm going to go to the two railroads and say, "Okay guys, I've got elevators on both of your lines. Give me the best rate." I don't see why they wouldn't do that. It will be the same kind of competitiveness on direct rail.

NP: Just perhaps smaller unit trains because they--.

SM: Well, no because--.

NP: You can carry from all the companies.

SM: Yeah, and more than half the Viterra and Richardson elevators, most of them, are 100 cars. You can now move the 100-car train, or on CP 112-car train, straight out of one elevator. It'll be more fragmented because I think they're going to have to figure out what partnerships they put together. But I think when they do it, it'll be trainload lots, may not be the same volume. Or it may be lower volume initially, then once they figure out how they're going to play it, it may grow. I don't know. Apart from that? The freight rate structure was all set up by the government, and the only place where we actually provided freight rates that were not part of that structure were things like the move to Quebec City or a move to the United States where we would quote separately to the Board, competitively. Apart from that, it's mainly the logistics that will be very different.

NP: Any connection with the Grain Commission?

[1:40:04]

SM: More tangential with the Grain Commission because we are certainly affected by the number of grains and grades [laughs] that they create just because the more different varieties there are, the more complex the movement. But we are certainly one step removed from that. So, we used to stay abreast of what was going on there. We certainly cared about efficient inspections at terminals and things like that because it affected the grain movement, but it was very much a more secondary issue with the Grain Commission. But I will go back because there's a very important thing that I overlooked. You're straining my brain a lot. I hadn't thought about a lot of this stuff. [Laughing]

NP: I'm trying to take it in too, so I think we're both working pretty hard here. [Laughing]

SM: That is car allocation, which of course will now change dramatically because car allocation has been done in large part by formula with some tendering. Both railways I think are coming out with a revised system of car allocation, working directly with the grain companies. I'm not, frankly, sure what they're going to be offering. What we had put forward back in the '90s and early 2000s was actually a bid car system. You would end up with a base number of cars that would be allocated based on the size and volume of your traffic, and then if you were in peaks--. Because that's the big problem is, how do you allocate cars in peaks? It's easy to allocate them if you've got more than enough. It's not when you're in a peak.

In the States, Burlington Northern allocates with a bid system. So, they open up so many cars for bid in such and such a week on such and such a corridor, and then shippers can bid against each other to secure a car. If there's no demand, then there's no premium. If there's a lot of demand, then the premium can get quite high because how else do you allocate them? I don't think, from what I've heard, that the railways will be doing that kind of bid system to allocate in peaks. So, I'm not sure just how they're going to do that.

NP: And why would they not?

SM: I think it got quite controversial. The idea got quite controversial. How high would the freight rates get? Was that a smart thing to do? The railways still have a ceiling, a lid, on the total amount they can make from freight rates in a year, so how do you manage the bid system in that context, I think, was another question. I'm a director of Richardson now. I cannot sit down with my buds at the railroad and say, "Okay! What're you going to do?" because that would be totally inappropriate. So, I'm not quite sure what they're going to do.

NP: Although, I would think that the companies would be asking that anyways. "What're you going to do?"

SM: Oh, yeah. Yeah, yeah. If I sat down with Joan Hardy today, who's the head of logistics and transportation for Richardson, I'm sure I'd learn a lot which I don't know right now. [Laughs]

NP: So, that's another change that will work its way through the system.

SM: That's a significant change, yep.

NP: The bid system that operates in the States, does it tend to be the most efficient?

SM: I mean, that's always been my view of it. I was an advocate of putting it into the Canadian system because I thought it was kind of the fairest way to do it. How do you play God as a railroad and say, "You get this last 100 cars for your shipment, and you don't"? How do you do that unless you've got some way of arbitrating that isn't just you playing favourites? I always thought the bid car system was a fair way of allocating, if you wish, and a very transparent way of allocating. Everybody would understand why Joe got the car and Bill didn't, you know? But what I've generally heard is that's not the route they're going to go.

NP: Would part of the thinking there be that, once again, there are places in Canada that are at a disadvantage geographically, if for no other reason, that that really could leave them out in the cold, on a bid system?

[1:44:57]

SM: Well, the smaller shipper in all of this has a harder time. There is no question. The smaller shipper who is not-- Well, I'm not sure how badly they are affected by the bid system because in the end, the shipper that's trying to put big volumes through a peak is not necessarily that little shipper. The little shipper has-- And in fact, he's really smart to try and avoid that peak, and he's probably got more flexibility to avoid the peak than the big shipper who just simply has to respond with all of his elevators. The problem that the small shipper has is that he does not get all these discounts for efficiency. If he's on a line where the service isn't as regular, that's another whole issue.

NP: It has impacts again on the producer car.

SM: Yes. Yeah, yep.

NP: Interesting. With the Canadian Grain Commission then, one of the issues that they dealt with was if something went wrong with a shipment—if a car the grain came in came back in poor conditions—how did that system work in the railway?

SM: The nice thing is once you switched over to hoppers from—with boxcars it was a nightmare—but with hoppers the problem that the railways could create with that reduced substantially. That doesn't mean there was no problems. Sometimes you'd have a leak in the hatch and moisture will get into the grain or whatever, but those cases were a lot smaller. Generally, we're dealing with the grain company, the grain company's dealing with the Grain Commission, so that's the way the linkage went.

NP: You mentioned that you were in marketing. What were the major tasks that you would have to carry out in say a typical week? What does a VP of marketing do?

SM: Grain marketing was unlike other commodities because of the regulation. So, I would actually get reasonably involved in the movement. Not the movement day to day—this car here, that car there—but certainly the overall train design, and how well it was working, and how well the processes were working. Was our team in Vancouver really working well with the terminals? So, that kind of level of operations because, for much of the time I was there, there were a lot of operating problems. Neither railway was operating super well, and the system overall, there was a lot of finger-pointing back and forth. “You did this. I did this. You screwed up.” You know? A lot of that went on, so you got dragged into it to some degree.

So, that would be some significant part of my day. Some significant part, maybe not of every day, but of every month would be the whole issue of attracting elevators to our lines, working with customers. I had a fellow on staff who knew all the good sites for elevators on the network and would take the customers around. But often the bucks were big, the stakes were big, and I would get involved in that kind of thing. I got very involved in regulatory issues, and government relations, and farmer relations, and all of that kind of stuff. I did a lot of presenting and dialogue and that kind of stuff. Another huge internal piece was forecasting demand, forecasting revenues for the financial guys in Montreal, but also demand in terms of railcars. You’d have weekly demand projections going out six months so that railcars could be secured. So, there was a lot to do with forecasting traffic and working with your customers to get in good forecasts. Working with history.

NP: How good were the forecasts on average?

[1:49:49]

SM: On average? They weren’t bad given the volatility. Grain was the most volatile commodity we moved. We could literally have a swing of \$170 million a year in revenue from one year to the next given the crop. We’re not directly in touch with the farmers on that kind of stuff. It has to feed through either Stats Canada estimates or the grain companies, and even then, where exactly is it bumper? Where is it drought? So, there’s a lot of translation that’s pretty difficult to do. Still is. There were times when we didn’t understand the demand pull well enough of offshore customers and how much they were going to want to try and buy in a peak. We’d have enough cars for a normal peak, but then be completely way off the mark because the peak was much higher, and we should have had another 2 or 3,000 cars available, in which case we got massacred by the customers and the press, and then you got massacred internally if you had 2,000 too many cars. [Laughs] But our forecasts were usually within about 5 to 10 percent. That’s still a large amount of volatility when you’re looking at keeping everybody happy.

NP: Is that going to change? One of the things—granted for wheat and barley—that the Canadian Wheat Board did was a lot of forecasting and sort of had their pulse on, quite closely, on what was planted and so on.

SM: Right, but they were quite secretive.

NP: Ah, okay. So, that was not shared?

SM: Not necessarily. Sometimes it was shared, and it was very helpful, but not always shared.

NP: Who will do that now?

SM: Each grain company will do it, essentially. With the grain companies, the dialogue tends to be quite open because they absolutely need us to perform and we need to know what they need to know, whereas with the Board, the Board had this awkward bit of giving this company more action than that company. They were drawing the grain in all the time, and they were always being accused of being favourites of this company versus that company. That made them quite gun-shy in terms of what they shared because everybody was always monitoring and second-guessing them. It was a difficult role because they were like the grain tsars, and they had a lot of business to hand out to the railways and to the grain companies. So, sometimes they were quite forthcoming when they really needed something to happen, but they weren't always forthcoming.

NP: Well, and sometimes it's a competitive disadvantage to be forthcoming.

SM: Well, precisely! Precisely. The other thing was that they knew information about the companies that the companies didn't want shared. There was a lot of reasons. I'm not accusing them, but you got to know your piece of the pie when they were ready to tell you their piece of the pie more or less. [Laughs]

NP: I think that's--. So, anything more to say about marketing then, and what is in that role?

SM: No. I think from a lot of the things I've talked about you can get a sense of some of the other issues I would have been involved in. I spent a lot of time with customers because I really felt that the closer those relationships got, the better we could do our job. So, I made a point of--. I joined the Manitoba Club, for goodness' sake!

NP: After they let you in the front door?

SM: We were the first—there were four of us—were the first four women allowed to join. Not because it was not the kind of place I was comfortable with at all, but I knew there were grain company presidents at that time who were older, that's where they liked

to have lunch. They could take me to lunch, but I couldn't take them to lunch. So, I spent a lot of time trying to build trust because this system had lots of rubs and friction and lack of trust.

NP: You raise the question of a woman in the business.

SM: You know, I think you can tell just by the way I'm talking, if you care—it doesn't matter what your job is, wherever it is—if you care and you work hard--. Well, I shouldn't say that. Railroaders are rough and tough, but they're generally fairly straight shooters a lot of them. If you show you care, and you show you're willing to work, there's generally reciprocity. They may be shy, they may not be totally comfortable, it may take time for them to be comfortable, but--. Whereas I have a good friend my age, who's now retired as well, who was one of the pioneers in banking. Beware of blue suits because they can be much nicer to you on the surface, but actually be working against you when you don't really know in much more politicized ways than the railway was. I found the grain companies, again, if you really cared about their business, if you were really trying to make it work, they appreciated that.

[1:55:49]

NP: A very practical group, I found, through these interviews.

SM: They are! They are. They're very practical. "We've got to get this done. How are we going to get this done? If you can't help me, I'm not interested. [Laughs] If you can help me, yeah!"

NP: Any other changes--. We've talked about really major changes that are front and centre in the press, any other changes that you went through?

SM: No. The change we haven't talked about, because we focused primarily on the grain trade, which is right, is the enormous changes that went on at CN at this time. I mean it's just unbelievable. When I joined CN in the '70s there were 85,000 employees. When I left there were 18,000. You saw it in Thunder Bay. Everywhere saw it. Just enormous changes. A lot of it painful, it was downsizing just on and on and on and on.

NP: Did you in your position, just because you were vice-president, you had to take part in that as well? Or were you sort of--?

SM: Oh, absolutely. Absolutely. That's the one piece that still haunts me to this day of my job because, yes, over time and in different modes I was responsible for letting go of a lot of people. You come back to that issue of if you didn't, we wouldn't be

competitive. Canada wouldn't be competitive. The whole world forces you into this change. It's like the Prairies. I remember the last meeting I had with the Saskatchewan Association of Rural Municipalities who were absolutely on the other side of the fence, you know? They said, "What are you going to do when you retire?" And I said, "I'm going to go help somebody and be on the side of the angels for a while." [Laughs] They laughed because it was pretty tough knowing that you were on the side of very difficult change.

NP: Yeah. I was doing some contract work for CN at that time, which we'll talk about when we get off. [Laughs]

SM: Oh, my goodness!

NP: One of the questions I have here, and you've answered in a lot of instances as well, what was the impact of these changes? But I have a general question related to that. When you look back at the changes you were a part of—many of them were made because of circumstances that you just mentioned—would you have changed the changes? Would there be things you wouldn't have done being able to look at how they played out?

SM: That's a good question. You know, I don't think one could have changed the direction, at least I can't imagine how. We could have, in many instances, done a better job of managing through negative stuff. I say that especially internally, at least that's where I can see it being more manageable because on the outside world, the politics were such. Once you believed that the railway had to rationalize, then you were trying to figure out the smartest ways to do it. But the communications, the whole unfolding of it, was so political and you had so many elements to deal with which were outside your control. You could try to influence, but often you couldn't influence. I can't look back and say, "Oh! I should've done X, Y, or Z," or "Our team should have done X, Y, or Z." Internally though, companies still don't handle downsizing well. You just have to be, I think, even more straight shooting than we were. You didn't want to say anything until it was all figured out, and then you were just sort of handing out pink slips. An awful way to do it, and yet if you told--.

[2:00:47]

NP: Escorting people to the door.

SM: Right. There had to be better ways of handling people through that situation. In part, it was because we would do it in waves. A president would decide, or a senior group, "We've got to take," I remember Tellier when he first came in, "We've got to take 10,000 people out." So, the next year was just this huge giant wave. Well, when you're doing that, you get into this issue of everybody's in backrooms doing all of this planning. Everybody's spooked, and then you give pink slips. I mean, horrible. There

had to be a more humane way to not only communicate it, but also support the people through it because many, many people were kind of broken by it. While there, in many cases, was support through some kind of outsourced agency that would try and find jobs, there had to be a better way to do it.

NP: But not that you found?

SM: I was not sitting there saying, “I’ve got the answer! Why aren’t we doing it this way?” No. I was more a pawn in the game, I suppose. I mean, there were certainly times when I would feel very strongly that we should be getting the message out there and we were not. There were times when there were games played at senior levels which I was very unhappy with, and times when I spoke up about that. But in many cases, I didn’t see a way of-- I mean, if you’re going to let go of 3,000 people, if you say everything upfront and then they’re all waiting for seven months while you figure it out, that’s no good either. In the early waves, I felt there was not enough financial support, but in the later waves there was significant financial support. People did not-- For very practical reasons. We did not want a lot of lawsuits. We wanted people to go away, and if they went to a lawyer, the lawyer would say, “Man, the package you got, you know, you have nothing to complain about.” That’s what we wanted that honour going out. But it was still very tough.

NP: Well, it’s very difficult to make something that is truly negative, positive.

SM: Right? Truly negative. Where’s the positive in this? [Laughing]

NP: Less negative perhaps, but positive? Well, for some people it may have worked out well if they weren’t really happy where they were to begin with.

SM: Yeah, but for many people they never really recovered economically. Or from a point of view of pride and identity, that’s pretty awful.

NP: Which is, because if you think back on both railways, railway guys were always very proud of what they did.

SM: Incredibly. They identified so strongly with the place that when all of a sudden it didn’t need you anymore, like that was just a total hit. Very hard.

NP: So, we’ve talked in broad strokes about the changes and challenges, any sort of things that happened to you personally that are vivid memories for you?

SM: [Laughs] Oh! Well, certainly one vivid memory was my first farmer meeting. [Laughs] I'll tell you. Because I had been on the job maybe two or three months in Winnipeg, but there's a lot to learn. We used to do the meetings, we'd try to gear them for the winter so that the farmers were around, when they weren't trying to seed or anything like that. So, I'd been around a few months, but they were on and clearly everybody had to take their turn. I had to take more than my turn, but I didn't feel like I really had the background to ask all the questions that farmers might. Also, I'd heard horror stories about how tough these farmer meetings were, [laughs] and they weren't easy! So, it was pretty frightening, but I had one of the guys who was really well steeped in the whole thing with me so that--. But you don't want to turn to him and say, "Can you answer this because I can't and yet I'm responsible for this stuff?"

[2:05:43]

Anyway, I learned that if you believe what you're saying from your point of view and you'd be very open, "Look, I'm paid by the railway." But if you believed in what you were saying and that it was the right direction to go, then you had a lot of strength in terms of dealing with it. I also learned that you can show sympathy and mean it. And I did. But that didn't mean you were able to change your point of view, but you could at least show that you understood what was going on at the other end. So, those grain meetings were—especially the first one—was very, very scary.

I think the other thing I remember is some of the really stimulating meetings we would have in Montreal where you were looking at all of the commodities in Canada. You were looking at how all of them were moving and you really ended up talking about the global economy. You'd be talking about potash prices were down because in Morocco they weren't buying as much. Just amazing how--. And looking at the Canadian economy and how it reached everywhere. I never, ever was bored with the business of railroading and its role in the economy. It was really interesting.

NP: Which leads me to a question that I ask, and I'll read it exactly as it is here. What is your sense of the role you and your company played in Canada's success as an international grain trader? Now, first of all, you have to agree that, yes, we are a successful international grain trader. [Laughing]

SM: But I think we are! To me the biggest success story of the last 30 years has been canola—in terms of returns to farmers, in terms of jobs in processing in the Prairies and in Canada, in terms of the health of the product. It's a very healthy, good-for-you product, and a good market. We developed the seed. I mean, this has been a real Canadian story from beginning to end. But also on the wheat side, I think we can be very proud. I would say that in the 20 years before the Crow Rate changing, I would not have been very proud of what the railways were doing or how they were performing. I understood that, but we were not helping this

grain trade be successful. I think I am proud of the role that the railways have played in improving the efficiency in the system by incenting large terminal elevators or large elevators in the country. The system had to change, and it was very painful, but it had to change. We took a major league leadership role in that. So did the grain companies in the end. They took a lot of flak from farmers in changing, but it had to change, and everybody stepped up groaning, yelling, screaming, fighting, but we did.

NP: Now, more recent changes—and they would have occurred since you retired, so it might be speculation on your part as to what the impact was on the railways—but with the collapse of the Wheat Pools or the amalgamations--.

SM: Consolidations?

NP: Yeah, consolidations, what kind of impact did that have on the railways?

[2:10:05]

SM: It's mixed. On one side, if you have a good company built out of the consolidation that has a good logistics nerve centre, then you can actually even be more efficient in logistics than you would be working with two or three smaller companies. That isn't always the case that it is really good, but when it's good it can really be worthwhile. So, there's been advantages there. But we're getting to the point where there's too much consolidation, I think. I don't think we want to consolidate more.

NP: There's not much left to consolidate. [Laughs]

SM: Well, no, but you've got--. There isn't! You've got really two large companies now, which will be Glencore and Richardson, then Cargill a step back from that. I think that you will see some more investment and some growth in other companies other than Viterra and Richardson in the next five to ten years. There's a lot of companies expressing interest in Canada. So, I think there will be. Whether they'll be Canadian companies or American—I think they'll probably be American or multinationals.

NP: Does that make a difference?

SM: Not to the railway particularly, but I think it does make a difference to--.

NP: Profits? Where profits stay?

SM: From a grain perspective, it won't make a difference in profits until there's deregulation of the rail freight rates. If and when that occurs, then it'll make a difference.

NP: Is that likely to occur do you think? Is that the next logical progression?

SM: I think it's going to be a long, long time coming. Either that or the Conservatives really will do it in the next couple of years. The grain companies are absolutely against it. The farmers are certainly absolutely against it. I can't see Gerry Ritz or Stephen Harper wanting to run into this one. So, I don't think it's going to occur. I may be wrong. Maybe the cross-border issues will press it to happen, I don't know. There's still such concern about how competitive CN and CP are. I don't think it's going to happen.

NP: And with just two companies for choice.

SM: That's the issue.

NP: That's the big issue.

SM: That's the big issue, yeah. And we don't all serve the same points, even though we're fairly close to one another. There's many, many of the large new terminals that are not served by both railways. So, they don't have the same leverage that a potash mine does where all the potash mines—virtually all—are served by CN and CP, and they can play one against the other very successfully.

NP: Any comments to add about Thunder Bay? Did you have any connections with them at all?

SM: Oh, yeah. I used to go down twice a year, and certainly from a logistics point of view there were lots of discussions. But, as I say, the reason we had less discussion was because it was the port that had capacity and generally worked very well. In the '80s and early '90s there used to be union issues at times, but when volumes went way down, the unions understood what was going on. So, we had far more problems in Vancouver with union staff than we did--. It's a solid group. Very experienced, solid group in Thunder Bay that's shrunk and shrunk like everything very painfully. So, no, you know, we watched Mission get created and all of those things happened. There were certain terminals that were much less efficient for us to serve than others, but generally that waterfront they were helpful to one another generally, and it was a--. Both the terminal and the railway workers were experienced and really wanted to keep jobs. It was a good place for us to work at. I spent my life trying to get rid of Churchill. [Laughing] So, you see how successful I was!

[2:15:10]

NP: Thunder Bay was not the problem child!

SM: Not at all! No, no, no. Thunder Bay was what we wanted to build.

NP: Now, I have a question about grain doors. I have a special fondness for grain doors. [Laughing] Much to my amazement in doing these interviews, I discovered that there was actually a grain door department.

SM: Oh, yes!

NP: So, what can you tell me about grain doors?

SM: Well, not much because the grain door department probably left the railroad about the time I joined it. [Laughing] But the grain door department was to ensure that there were adequate numbers of doors spread out across the system where they were needed. Can you imagine those days? They actually used to pick up the grain car and shake it to get the grain out and then nail the door shut? Unbelievable!

NP: Unbelievable thinking on that part. I don't know the history of the hopper car, but it was far more intelligent design than the grain tippers.

SM: That's right!

NP: But even before that there was just sort of smashing the doors open with--.

SM: Right, because I think going way back into the early history of railroading, most things were moved in a box. The only thing that wasn't was oil with a tanker, but most things moved in a box—whatever shape it was. It wasn't really until the '50s and '60s, post-war, that you started to get specialized equipment to move different things. The railroads weren't very keen on specialized equipment because it was a huge capital cost, and you had a much less flexible piece of rolling stock. So, now you had to manage separately all of these things. So, from what I recollect from hearing guys talk in the '50s, the operators were absolutely against them. The marketers wanted them because then you could get a jump against your competitor by having this new equipment that was so much easier for them to load or use.

NP: And quicker to turn around.

SM: Yes, absolutely.

NP: As you know from previous discussions, we still have—although fading—hope of trying to set up I'll call it an activity centre rather than a historic centre because apparently historic centres are not too popular these days. But obviously a major component of it would be to save this history that we're recording. If we were successful, what parts of the railway history do you think should be featured? The grain aspects of the railway history?

SM: Yeah, because grain has been a core, core—and still continues to be—commodity for the railroads. I don't think there's another commodity where there is so much politics and interchange from operations to every aspect. The community of grain and the community of the railroad have been so close. Not only do you want to sort of highlight the grain movements, but I think in many cases the changes that went on in the railway was per se affected the grain movement. So, you don't want to totally lose some of that. But there's a huge story there, which hasn't really been told particularly well.

NP: Little pieces have, but certainly the export, the growth of the export trade where--.

SM: Oh, yeah, exactly. And the shift in the export trade, yeah.

NP: Markets and product.

SM: Yes!

NP: The science behind the product and so on.

SM: No, that's right.

NP: Okay, any questions I should have asked you that I haven't?

SM: I can't imagine them. [Laughing]

NP: Let me just take a quick look through here, make sure I've got them all. Was there any connection at all between the railways and sort of the science of grain? I'm just thinking now, you know--.

SM: Ah, yeah, not really, except we were quite interested from a distance in it because one of the good pieces of science for us was it was increasing yields. So, we used to monitor—and that was part of forecasting—was to look at the average yields. It's quite amazing what's happened over time to-- Canola yields are incredible. They're probably up a third in the last ten years. It's quite dramatic. So, really that would be the only-- The other aspect is this whole question of identity preservation, which certainly can have implications for logistics all along the way. If identity has to be preserved, then it has to be binned separately, you have to be able to identify the car with the bin, etc. The onus is primarily on the grain company to do that—the farmer and then the grain company—but it can affect the efficiency of the logistics. And it can affect the amount of storage that is in the terminal because if you've got all of these separations of relatively small amounts, then the terminal-- So, from that point of view, we care.

[2:20:55]

But there's another example of where the change from the Board may make a difference logistically. The Board sold on the basis of grades, but I think we'll be largely shifting to a system whereby the grain company will describe a spec of number 2 high protein wheat, and then set against that is the customer will pay more if the specs in the load turn out to be better, and the customer will pay less if the specs in the load turn out to be worse. So, rather than the customer saying, "I ordered grade number 2 and that's not what you gave me. I want something else," the price will vary if the specs aren't quite the same. But from a logistics point of view, you will have fewer separations. Do you see what I mean? Because they're more flexible about the specs.

NP: And I can certainly see, well, I can see the customer, whatever they can contract for that, so they can say, "No. I'm not willing to pay more for something when this will be satisfactory. I don't want something that is below what I want."

SM: That's right. "But below what I want," that's right.

NP: But that's upfront in the contract.

SM: That's in the contract. That's right. So, the tolerances in the contract are discussed. But I think it will take us away from many, many grades to more of grade number 2 or grade number 1 high protein will have some flexibility in it that is regulated by price rather than the exact shipment having to be correct, which is the way canola works and other grains. I think that may make the logistics a little easier, yeah.

NP: Good. Well, great! Do you have any memorabilia from your time with the grain operation that might be--? We are working on a website. We are very light on train stuff, which just tracking—excuse me—tracking people down is difficult. [Laughing]

SM: Those puns occur all the time!

NP: But--.

SM: I'll look through my stuff because we used to have stuff that the logo was Grain Train.

NP: Ah! Was that the one that sort of you put your customers on and took them--.

SM: No, no this was actually the logo on the--. We called them--. Like golf balls, stuff like that, it would have a little CN logo and then Grain Train for grain customers. I don't have any more of them, but we had wonderful farmer caps with embroidered Grain Train on the front, and stuff like that. But I thought they were so freaking ugly I didn't keep any!

NP: Well, it would be actually comforting you to know that we do have a photograph of one of our people that we interviewed wearing a Grain Train hat.

SM: Oh, really? Really? You know, I still use this.

NP: But anyways, shall I just--?

SM: I'm just going to show you quickly, get everything I can think of right away.

NP: Okay!

End of interview.