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Company Affiliations: Federal Grain, Canadian International Grains Institute

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Summary: In his first interview, former executive director of the Canadian International Grains Institute Dennis Stephens describes the early part of his career in the Canadian grain industry. He begins by discussing his work within Federal Grain Ltd. at a time of their recent acquisition of Searle Grain and subsidiaries, and his eventual departure when they sold their grain business to the Prairie Pools. He explains the major issue at the time that prompted this sale, which was the inefficiencies of grain transportation due to the Crow Rate, lack of usable railcars, and inefficient country elevator systems. He describes a pilot project using Neptune Terminals and unit trains that was successful but rejected due to regulatory issues, the differences in rail handling of grain and other commodities, meetings with senior executives to discuss improvements, and the band-aid approaches to fixing rail challenges. Stephens then discusses his move to CIGI as one of their early employees, setting up the physical layout of the Institute, and putting on tailored programs for domestic and international groups. Other topics discussed include provinces buying hopper cars, the creation of the Grain Transportation Agency, the lessening influence of farmer voices in policy decisions, his interactions with terminal grain elevators in Thunder Bay, Thunder Bay's feelings of isolation in the country, labour issues in Thunder Bay, and the challenges of shipping through the East coast versus the West coast.

Keywords: Federal Grain; Canadian International Grains Institute (CIGI); Grain transportation—rail; Grain marketing; Crows Nest Pass freight rate; Block shipping; Country grain elevators; Grain shipping logistics; Rail line rationalization; Neptune Terminals; Unit trains; Canadian Government Elevator—Saskatoon; Inland terminals; Consolidation; Searle Grain; Alberta Pacific Grain; Diversification; Canadian Grain Commission (CGC); Canadian Wheat Board (CWB); Grain trade—Laws and legislation; Canadian National Railway (CNR); Saskatchewan Wheat Pool; Alberta Wheat Pool; Manitoba Pool Elevators; Burrard Terminal; Government policy; Agricultural policy; Hopper cars; Grain Transportation Agency (GTA); Car allocation; Western Grain Transportation Act; Terminal elevators—Thunder Bay; Labour relations; St. Lawrence Seaway; Uruguay Round; General Agreements on Tariffs and Trade

Time, Speaker, Narrative

NP: Nancy Perozzo introducing an interview with Dennis Stephens, being held in Winnipeg in the Canadian Grains Council office at 220 Portage Avenue, and I'm speaking with Mr. Dennis Stephens. So perhaps we could start, Mr. Stephens, with you introducing yourself and telling us a little about your background in the grain industry?

DS: Yes. Well, first of all, it's a pleasure to be part of this process, and I congratulate those that were involved in its origination. I think it's a wonderful concept. But initially when I was at university, I got involved in journalism and worked initially with the *Winnipeg Tribune* and then the *Globe and Mail*. In 1967, I did a series of articles on the grain industry looking at what the implications of government policy were having upon the evolution of the grain handling and transportation system in Canada. In one of those interviews, I was interviewing George Sellers, who was the president of Federal Grain, and following the interview, George asked if I would join Federal Grain. And so, in 1967, I entered the grain industry initially as director of corporate relations with Federal Grain Ltd., reporting to Mr. Sellers, who, as I say, was the president of the company, and then later became manager of transportation for the company.

So my first experience in the grain industry was from a grain operations point of view. Federal was the largest of the non-farmer-owned companies at the time. Federal had just recently merged with Searle Grain Company, and also had under its wing the Alberta Pacific Grain Company, which operated in the province of Alberta. And so, literally, those three companies came under the one umbrella of Federal Grain, and Federal was a publicly traded company, and I mean by that that its shares were traded on the Toronto Stock Exchange. So one of my first jobs at Federal Grain was to attempt to create a single entity out of these three different companies and bring them into one. Federal had about 1,200 country elevators spread across the Prairies, very extensive terminal facilities at the port of Vancouver, and also extensive terminal facilities at the port of Thunder Bay, so it was a major grain company in Canada. I was there from 1967 until 1971—'72, actually—when Federal sold its grain assets to the Prairie Pools. Each of the Pools in each respective province bought the assets of Federal Grain in that respective province.

NP: Why did Federal, doing the consolidation, why, after a relatively short time, did they sell off those assets?

DS: [Laughs] Well, that's an interesting question, and I suspect that if you asked a half a dozen different people, you may get half a dozen different answers. I think the key was that at that time, the earnings from the grain industry were not particularly good, and as a publicly traded company, it's the responsibility of the board of directors to ensure that it is providing the best return possible to the money of the shareholders invested in the company. Obviously, in that timeframe, there were concerns that the return on the investment was not appropriate and that that money could more effectively be employed, in terms of return on investment, in other areas of the economy. At the same time, when I joined Federal—and I obviously had not had a grain industry background—I was

intrigued because one of the lures for me as a relatively young person was the objective of the company at that time was to become what was then known as a conglomerate, to become less dependent upon one particular area of the economy. So I was named as part of the acquisition team and had been involved in acquiring many other assets. Some of those assets-- Standard Arrow Engine here in Winnipeg, very, very vibrant company, but totally out of the grain industry. We also acquired Neptune Terminals that had facilities at that time in the port of Vancouver, and then we expanded it to create facilities, Neptune facilities, in the port of the Lakehead.

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So we attempted to look at areas where we would be, say, beyond the grain industry, diversify our assets. So over that six-year period or five-year period that there was no question we were already moving down the path of diversification, and the sale of the grain assets occurred largely because we felt that we could take that money that we had obtained from the sale of the grain assets and employ it in more vibrant areas of the economy. It's interesting because I think one of the turning steps in that occurred in part because of what I was up to. [Laughs] I say that with a bit of a chuckle because, as I mentioned, I had been involved by this stage as manager of transportation for the company, and at that time, we had great concerns because the grain business had started to turn around by that stage. We could begin to see some signs of growth. The Russians were starting to come back into the market, just beginning, but at the same time, we were very concerned because the efficiencies of our grain handling and transportation system left an awful lot to be desired.

The railways, of course, in those days were paid a rate that became famous as the Crow Rate, which had been set back in historical times. While numerous band-aids had been applied in terms of trying to bring resolution to that challenge, you still had a situation where the railways had a choice of whether or not they gave priority to a train that they claimed cost them money versus a train that made them money. When we acquired Neptune Terminals, it was obvious we had much greater priority given to our potash trains, our coal trains, than what we were in terms of the grain trains. And the reason was because the rates were competitive and the railways were, obviously, benefitting from the movement of that traffic. This issue was a critical issue in the grain industry, and our capacity to move grain was actually declining rather than increasing. It was a significant political issue at the time. The ministers of transport, the ministers of agriculture, the ministers responsible for the Wheat Board, they created a Grains Group of those ministers and then developed a bureaucratic support staff to support that initiative.

So there was a lot of political will, if you will, to try to find a path through this maze, but it was a very, very difficult path to find. I had been involved in what we called the development of the block shipping system as manager of transportation at Federal, whereby at the operating level, the grain companies, the railways, the Wheat Board, all sat around the same table over a number of years, divided the geographic hinterland of the grain production area into districts, and those districts were based on car train runs.

We literally developed a system whereby we would look at the marketplace first, identify what were those commodities that had a demand for them, and we would try to signal that through the companies to their elevator managers to encourage certain grades of grain to be brought in that had a market immediately for them and would then be allocated cars depending on whether or not we had those grains and the market demand in store in our elevators. That system, which became known as the block shipping system, actually did bring fairly significant improvements in the handling and transportation system.

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NP: So prior to that then would it be, instead of the block system, would it have been the haphazard system? Whatever was available got shipped?

DS: [Laughs] I think that's probably as good a description. When it was originally developed, it was a car-order book system in that we literally gave out to the elevator managers orders for cars to be loaded. But what happened was that over time, there came to be so many different orders out in the country that literally the railways pretty much had it at their discretion to put their cars at any elevator they wanted because they all had outstanding orders, and the elevator managers in turn could almost load anything they wanted because they had so many outstanding orders.

NP: And just get rid of what they had?

DS: And get rid of what they had. The problem you have in the grain system, it's like a pipeline, and if your terminal elevator at the Lakehead or someplace gets plugged with grain, there's no place else it can go. It can't receive anything. It may not have the grains that are required by the vessels that are coming in, and you get stoppages in the system and inefficiencies in the system. So the block shipping system, I think, was a very significant industry effort to try to bring resolution to it. It didn't require any changes of legislation or regulations. You could essentially do it within the existing systems. From a management point of view, we felt that we gave up some management responsibilities that we didn't particularly like doing, but at the same time, we felt that if we could actually increase the capacity to move grain through the system that all parties—whether it be the farmers or whether it be the elevator companies or whether it be even the buyers of the grain—were going to benefit by that.

And initially, there was a quantum increase, but over time—a very, very short period of time—is that the number of railcars continued to decline. So while we might have, say, reduced the car turnaround time--. And these are just figures out of the air. I don't recall the exact figures, but say it was 25 days and it was reduced to 20 days or something, that meant that you could move more grain with those same cars. But if the number of cars continued to shrink--.

NP: Just because of stock falling apart?

DS: Simply because the stock falling apart. From the railway's point of view, they no longer felt they were obtaining a return on their investment, so therefore, they refused to repair the cars. And first of all, I would say in the middle '50s, they stopped buying new cars specifically for grain. By the time we reached into the late '60s, even those cars that had been in service were showing signs of wear and tear, and as they got to be at a stage where they could no longer be maintained, they were then pulled out of service. So while there were some efficiencies in, say, the management system, the logistical system, that was soon offset by the problems of the reducing car fleet.

Now, when I was involved with Federal Grain, as I've said earlier, we had purchased this Neptune Terminals out in the port of Vancouver. Neptune was one of the first of the facilities that were designed with an ideal interface between rail and vessel. And what I mean by that is that if you look at the traditional terminal elevators of those days—either at Thunder Bay or at Vancouver—they were all facilities with relatively short trackage feeding the elevator and spotting capacity, and therefore, there needed to be a lot of decoupling of the cars to put them into smaller lots. So you might have had a 100-car train come in, but then it had to be all broken down into individual segments and spotted at individual elevators and so on.

NP: So just for terminology purposes, spotting a car doesn't mean just seeing it. Spotting it means--. [Laughs] I spot a car!

DS: [Laughs] Placing the car in front of the elevator ready to be unloaded.

NP: Okay. All right. Finding a spot for it.

DS: Finding a spot for it in the lineup to be unloaded at the terminal.

NP: Okay.

DS: Anyway, what we were doing on the Neptune side--. And I'd been involved as part of a committee with Neptune to see if we couldn't bring some efficiencies on the potash movement, because on the coal movement, the commodity is starting in one mine and therefore there's a train that is put together. It's a 100-car train, and it never had to be uncoupled, and the design of Neptune meant that it would come into the track shed, and it would go through the track shed and loop out. There was a loop track. So that train could just make a loop and go back out and never have to be uncoupled. The engines, nothing had to be removed from it, and away it would go. Therefore, the time of unload and the cost of unloading from a railway point of view was minimal, and therefore the rates that you could negotiate were significantly lower than for other types of movement.

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Now, that's the ideal, and there's not many types of rail movements that can meet that degree of potential efficiencies. But where we had potash mines—which didn't generate the production of the coal mine, but we might have had a series of potash lines along the same rail line—well, instead of each of the individual potash mines making their own freight arrangements, we worked with the railways and the potash mines to combine these together. And so, you might pick up 25 cars and 25 cars and 25 and end up at 100 cars at the end of the line—or 30-car or 40-car blocks or whatever they happen to be. We came close to that kind of efficiencies because at the terminal elevator, again, it didn't have to be uncoupled, and therefore, we were able to unload that relatively quickly.

And so, I thought to myself, “You know, why couldn't we do this same thing with grain?” Is that there was so much coupling and decoupling of cars that there was no question it was a higher rail cost system. So I went to the Canadian Wheat Board [CWB] and said to the CWB that I would like to use the unit train concept to move grain out of the Prairies, and that we would use Neptune as an experiment. We'll do a pilot project. I had before that gone to the CNR [Canadian National Railway], the vice president of the CNR here in Winnipeg, and I said to Mr. Fletcher, who was vice president at the time, and I said to him, “What would be involved in getting 100 cars? There's a government terminal.” In those days, the Canadian government actually owned some of its terminal elevators on the Prairies, and one was in Saskatoon. And I said that, you know, “Could we get 100 cars?” We needed hopper cars, and in those days, there weren't government hopper cars. This was---. But the railway was slowly introducing some hopper cars into grain service.

And so, he said he thought they could if we timed it to the close of navigation. And so, this would be a time when railcars would be being shifted out of the Thunder Bay movement because Thunder Bay would be closing down because of the close of navigation. And we would take that time, and we would store these cars in Saskatoon to eventually go into the West Coast movement over the winter months. So we stored these cars at---. It was agreed that we'd store these cars at Saskatoon, ready to load grain out of the government terminal elevator in Saskatoon. Now, I then---. [Laughs] The Wheat Board initially said, “Well, we couldn't do it because we couldn't get the cars.” So I went back to the Board and said, “Well, we have the cars.” Well, then the next hurdle was that we didn't have the full scales at Neptune. In other words, you can recall in a normal grain terminal, you have the scale floor with these big scales, and the grain goes from the shipping bin and goes into these big scales, and it's sampled and inspected and weighed under the government authority. You don't have that in a bulk commodity terminal for potash, and I was going to use the potash system to do this. What you have is a long track shed that can maybe accommodate four or five cars at the same time, and you're essentially using belt scales rather than the traditional hopper scale.

But I said to them that what we were dealing with in Saskatoon was a government terminal. It was staffed by representatives of the Canadian Grain Commission [CGC], so you had government weigh inspection people. You also had government grain inspection people. And the great advantage of a hopper car versus the old boxcars was that once you put the seal on that car, either it's going to be empty at the end of the day, or it's going to be full. [Laughs] You're not going to have very much disappear as a result of that. So the belt scales only have to be kind of a confirmation to make sure--. It's like a yellow light, if there was a problem, and they certainly can confirm the official weights. So anyway, it would mean that the Canadian Grain Commission would have to give a certificate final, not basis Vancouver but basis Saskatoon, and it would mean the buyer would have to accept that certificate final from that destination.

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And so, I went to the Canadian Grain Commission, and Del Pound was the chief commissioner at the time, and Del had just recently been put into that position. So we talked about it, and I said to him--. And he got excited. You know, this was something new. It was trying. It would be showing the political leaders of the day and the industry that the grain industry wasn't a dinosaur. It didn't have its head in the sand, that we could try some new ideas and come forward. And so, it was agreed on. And so, in December of 1971, we put a 100-car unit train together in Saskatoon, and I actually had a movie made of this thing. We called it *The Federal Grain Train*. And we then proceeded loading that train, and it went to Neptune. It arrived at Neptune. Of course, it didn't have to be uncoupled, and it went into the track shed. And suddenly, there was a yelling. The government inspectors climbed up to undo the seals above and below the car, and someone yelled, "Hot train!" [Laughs] Of course, we were not using the grain handlers' union. We were using the longshoremen because the grain had come out of the inland terminal facility of the governments, had already been cleaned. It had already been weighed, and there was really no grain handling, per se, which was really the longshoremen actions that were required. But we had anticipated that, and so--.

NP: What did they mean by a hot train?

DS: Well, they meant that, in the views of the union, that we were not employing the proper numbers of people from the proper union, et cetera. And so, it was a labour dispute.

NP: So it was the grain handlers' union?

DS: It was a difference of opinion.

NP: Yeah. Grain handlers' union?

DS: Yeah. Differences between the grain handlers' union and between the longshoremen's, and so all that. We had anticipated there could be some concerns. I think from the grain handlers in Vancouver, they feared that this could become the future trend, and therefore, it may require less employees in the grain terminals. There would be those kinds of concerns. It was something very new, but we had a mediator there, and I would say within half an hour or something, it was resolved. And then, it worked slickly. It was very, very good.

NP: So just because I'm not familiar with the facilities in Vancouver, when the grain was unloaded onto the belts, then it went into regular storage bins?

DS: No. No. It was a direct hit to vessel. What we did is we arranged the vessel to be there. You see, Federal—I should have maybe mentioned this—but Federal already owned about 40 percent of the grain terminals in Vancouver. We owned a terminal called Burrard Terminals and also Pacific Elevators. And what the concept would be was that in the bulk commodity type of movements—coal, potash, these sort of things—it's 24-hour loading. On the grain side, there's only--. There's less. There's less required. Normally, you would have, well, you know, ships of unloading to--. Then the grain has to be cleaned, and usually the cleaning takes them more time, and then the loading. So in the graveyard shift was when we felt that we could use Neptune, and therefore, we would have the vessel, would be put at Neptune for either the first- or the second-day loading, which could be high-speed loading. By the time you get to the third-day loading, you're better off with the conventional facilities because it's slower anyway, because you're having to fill the tops of holds. You have to slow things down.

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And some of the efficiencies you have in the bigger movements in those days--. I'm going back a long time. This is nearly 40 years ago. We felt that we could get those efficiencies out of the Neptune-type facility with the first- or second-day loading. But we did not intend to put anything into storage. We were going to do direct hit to vessel. And so, there was a vessel there. After the bottom hopper gates were open and the grain flows down, it then went onto a conveyor belt, and the conveyor belt led up to what they call a surge tank, which acts as a buffer for the grain.

NP: And the buffer's reason is to--?

DS: The buffer is in case that there is a stoppage.

NP: Slows down or--. Okay.

DS: So that you'll build up some stock in that surge tank, and then that allows a continuous flow onto the ship loaders, and then the ship loaders—there's two of them—and each of the ship loaders would then be loading the grain into the hold. All the surge tank does is act as a buffer so that if, for whatever reason, the train has to stop, that there's still some stock in there that allows it to keep being loaded. But anyway, to make a long story short, from an operational point of view, the concept worked very, very well. And there was no question it brought significant efficiencies into the system. That was the first week of December of '71, if my memory is right. About ten days later, Mr. Sellers—George Sellers—and myself went to the vice president of the railways, of the CNR here in Winnipeg, and we said to him that Federal would be interested in entering into a contract with CN whereby we would lease all our own hopper cars. So Federal would go into the leasing car market and lease five trains—about 500 cars—and what we wanted from him or from the railway was to know what would the rate be, because what we needed from the railway was, first of all, locomotive power to power these cars, and secondly, trackage rights to move it along the track from the elevators. And we were also prepared to acquire the government terminal elevators that existed on the Prairies, but we needed to know what rate, and we assumed that the rate would be significantly less because they would be none of their own cars. It would be a very efficient movement. We'd be looking at turnaround times of a week versus 21 days or something. So three times the improvement in terms of speed of turnaround times.

And we weren't looking at replacing the existing movement. We were looking at supplementing the existing movement because in our view, we had reached the capacity, and we had a tight collar around our neck. The market was demanding more than what we could provide, not because our farmers couldn't produce it, but because we couldn't physically get it to the marketplace. And the growth market at that time was in Asia. So the railways came back to us in either-- I can't remember if it was the year, that month, or first part of December, and said, no, they couldn't give us a rate lower than the Crow Rate. Well, without a difference in the rate structure, it made absolutely zero sense for Federal to go and lease cars or acquire new terminal facilities, and so, we shook our heads in disbelief. But it also showed you what the impact of the Crow Rate was upon the grain handling transportation evolution in this country.

And so, we thought to ourselves, "Well, there's one more opportunity, and that is that from a marketing point of view, if our assumptions were correct that the market demand out of our West Coast was greater than our handling and transportation capacity to feed it, then it could be a benefit to the CWB to sell grain" because the West Coast provides a premium to the Wheat Board versus Thunder Bay, and the reason is is that the West Coast is much closer to our production area. We often forget that, but our Prairies are-- [Laughs] We had a dividing line roughly 900 miles in central Saskatchewan to either the West Coast or Thunder Bay. But you've got to remember, from Thunder Bay, it still has to move down the lakes before you get into saltwater, and that movement was probably \$12-15 back in those days. I can't remember exactly, but it was fairly significant. And also, some of your West Coast markets are premium price markets, like Japan and a few others.

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So what we said to the Wheat Board was, “You determine what is the current capacity of the West Coast, and we’ll enter into an agreement on the basis of 45 weeks a year. We wouldn’t take all 52 because there are going to be times where you have snow slides, or you have too much cold on the Prairies, or all sorts of reasons that can stop it. But we figure that we could do it in the order of 45 cars [*Note: means weeks? Editor*]. So 45 times 100 cars times 90 tonnes. We would do it in those increments, and as many of those units that you would want to enter into.” We wanted, I think, it was around \$3 a tonne or something to cover our costs associated with leasing the cars, and our costs associated with taking over or leasing these inland facilities. This would still give about \$10 a tonne more to the farmers of western Canada as a benefit going into the Pools.

And so, the Wheat Board looked at this and thought about it and came back two or three weeks later, and said, no, they couldn’t do it. And they couldn’t do it because there was another little regulatory hurdle here that was called the Bracken formula, and the Bracken formula dictated that a grain company could only receive the number of cars as a percentage relative to its percentage of the business that it was generating. So here, by us bringing in our own cars, we were escaping, if you will, in the views of the Board, the Bracken formula requirements, and they couldn’t allow that to happen.

So Federal, when I went to see George Sellers, we had a long discussion about it. We felt that if Canada’s grain industry was truly going to move forward and take advantage of these opportunities, we had to be able to bring in innovative ideas, but it was very obvious that the regulations associated with the handling and transportation system didn’t allow a company to be innovative. And therefore, it was the judgement then when we went before the board of directors of Federal that this was a sector of the economy that maybe we shouldn’t be in and that we should reinvest that money into areas which had less regulations and more opportunity for companies to introduce new concepts and grow with the changing time. So that was the board of directors’ decision. It was based, in their view, in terms of the potential return on investment on the dollars employed in the grain assets versus the potential return of investment of those dollars employed in other sectors of the economy.

[Laughs] And so Federal, that unit train, as I say, was in December of ’71, and if my memory is right, it was probably around February of ’72—so only a couple of months later—that Federal actually made its decision to sell its grain assets as I described earlier. And it was those assets that, as I said, that were in the provinces. So Manitoba Pool acquired the assets of the country elevators in Manitoba, Saskatchewan Wheat Pool in Saskatchewan, Alberta Wheat Pool elevators in Alberta. And the terminal elevators were also provided to these Pools as part of that asset sale, and that became in different ports different arrangements. But the one exception to that was the Burrard Terminal in the port of Vancouver. There was a handling agreement with the Richardson

company, Pioneer, and they executed that provision, which gave them first opportunity on that terminal. And so, the Burrard Terminal, which is now the Pioneer Terminal in the port of Vancouver, went to the Richardson companies.

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And so, that's--. I was asked to stay on at Federal because my background was broader than the grain business, per se, but those kind of circumstances--. I was a young man. They were exciting times for me—tremendous opportunities. I enjoyed it thoroughly, but I felt that my time had come. It's a very strange feeling as a young person, even to this day. It's a lot more fun building something than it is dismantling something and particularly in that type of a sale because it was an asset sale. Now that means that for most of the elevator managers, I think that the Pools that acquired those assets realized that those were very good grain buyers, and therefore, most of them just continued to work. The sign on the elevator changed, but that didn't change much. The same thing was true with the terminal elevator workers. The terminals, the sign on the outside of the terminal may have changed over the years, but basically the employees didn't change much.

On the other hand, that's not true in a head office circumstance because suddenly those people who had been employed by those companies for so many years suddenly came in, through no fault of their own, and found there was no longer a job. And that's a painful thing. And even though the company was far ahead of its time, I think, in terms of being generous with severance payments and so on, that doesn't address the human impact of those kinds of decisions. So I figured that I spent five or six years—wonderful years—but it was time to move on. At that stage, the Canadian International Grains Institute [CIGI] was created—was announced, I should say—as a new concept of market development internationally. It was going to offer instruction in grain marketing, grain technology, grain handling, and transportation. So I threw my hat into the ring and was hired by the CIGI, and I left Federal in April of 1972 and became one of the first employees of the CIGI.

NP: And what was your position with that group?

DS: I was with the Institute. I started with the Institute as special projects, responsible for program development and also grain handling and transportation instruction directly. And then over the years I became its executive director, and I was in charge of the Institute for many years. So from 1972 through to I guess it was 1989, I was with the CIGI. It was a wonderful institute. I mean, it was a tremendously exciting concept.

NP: Yeah. Can we just leave that for a moment but definitely come back to it because as I've been doing these interviews, I'm thinking I'm starting to get a bit of a historical perspective on what's happened and having looked way back even at the early days. [Laughs] And as you look back on that change, which was--. One example of it was what Federal had decided to do, but so much

has changed since that time. How does that change fit into the overall picture of what the grain industry is today compared to what it was when you--?

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DS: Well, it was a bumpy path. I think one of the great challenges is the interface of government policy in industry, and I don't think we have the mix right yet. Later on, after the Institute, I became Assistant Deputy Minister for Agriculture and Agrifood Canada, and so I viewed it through different lenses. So I've looked at these issues from a number of different perspectives. Government policy cannot expect a private enterprise function to perform without the expectation of a return on investment. And it can say, "Do it," but what happens is they will do it, but they'll do it to the squeaky wheel requirement. In other words, is they'll do it to the minimum that they can get by by doing it, because there's no incentive to do it. And even though you try to put on band-aids--. And if you look at that Crow Rate during its evolution, we went through--. The railways stopped investing, say, on the branch lines. They couldn't justify it. They had to invest on the mainlines because on the mainlines, there was other traffic. There was coal traffic. There was the growing container traffic over the years, the potash traffic. All of the other demands of the commodities—automobiles and lumber and so on—those required mainline traffic. So the mainlines were very much kept up to standards in order to meet those requirements, but not so the branch lines.

So as you moved those branch lines on the Prairies that were essentially grain lines, those quickly became dilapidated and unfit. And so, the government, instead of, say, addressing the fundamental issue of the railways not receiving enough to maintain it, went in and developed a branch line rehabilitation program. When the car supply situation got to a stage where this declining trend line I talked about earlier—of the railways pulling out of service those cars that got to a stage where they couldn't even justify maintaining them let alone maintaining them—the government didn't address the Crow Rate, they addressed the car supply and began to buy cars for the railways.

NP: And the major push for maintaining the Crow Rate was from--?

DS: Well, it was two things here. One is that from a farmer perspective, the farmer believed that there was a commitment by the government of Canada to—between the government of Canada and CP Rail [Canadian Pacific Railway]—to carry these rates in perpetuity, and they felt that that was their great, sacred right. And the Crow—some people named it the Holy Crow, but it was like a holy covenant—this was something that--. And it was a tremendous benefit to the grain producer particularly. One can argue that over time, it created very much of a distortion in terms of, say, maybe moving grain out of the country at such a low cost that it might have actually worked to the disadvantage of the livestock sector of secondary processing industries because we were

shipping our raw materials out. So it was a very divisive debate, and if you had a dozen people around the table, you would open up the discussion, and each one would give a very legitimate and very passionate reason as either to get rid of it or to keep it.

What it did do—and this is a problem we still have to this day—is the recognition that our grain production area is a long way away from ocean transportation, and therefore, the challenges of the transportation and the importance of the transportation--. We don't have the choice, say, of Australia, where your grain production area is very close to its seaboard. Therefore, their trucking industry is very competitive, and therefore, they're not—I shouldn't say this generally because there are certainly areas of Australia which are very dependent on rail—but for a huge chunk of its production, it is very much a situation whereby that production is close to seaboard. Canada, that's not the case. We are a long, long way away from our market areas. And because of our huge production capacity, we need to export, in those days, probably 75 percent or more of our grain in order to be able to provide an appropriate return to the farmer. So the approach that was taken by the governments, and there were different political parties over this period—it wasn't just one particular party—they were very nervous politically to address the Crow Rate, and so they would try to apply this, what I call it, a band-aid approach. And it kind of stops the bleeding, but all it was doing was really ensuring, if you will, or trying to maintain our handling and transportation capacity.

[0:45:25]

I remember one time I was at a reception—and by this time I was over at the Grains Institute, and this was in 1978, if my memory's right—and it was a reception at the Japanese Consulate here, and it always an interesting reception to go to because it was being held in the honour of the Emperor of Japan's birthday. You had the consulate here from Japan invited a wide cross-section of the political people and the industry people to it. So it wasn't like—I shouldn't this this way—it wasn't like going to a grain industry reception and seeing only grain people. [Laughs] You saw a lot of different people. It was kind of a fun thing to go to, and for that reason, I think a lot of people went. And I remember bumping into Sterling Lyon there, and Sterling at that time was premier of Manitoba.

And years ago, I had mentioned that I had been a journalist. Well, one of those times in my journalistic career, I'd actually sat up in the legislative gallery and covered the legislature. So I, of course, knew Sterling. And he came--. [Laughs] We were talking, and he said, "How are things going?" And I said, "Frustrating." And he said, "What do you mean frustrating?" And I said, "Well," I said, "we've created this CIGI, and it's doing a magnificent job." And I said, "The basic concept of it is to use education as a market development tool to show overseas buyers how Canadian grain or oilseeds can be used to achieve their end products, and the possible advantage to them." But I said, "Here we're in a market development function, but," I said, "at the same time, we're having the CWB having to defer sale after sale after sale." And I said, "In fact, I can't understand why you as a premier aren't saying something about this." And he said, "What do you mean?" And I said, "Well, if we'd had a Red River flood and the whole

of the Red River Valley had been flooded, and we didn't get any grain production out of that," I said, "you'd be on the legislative steps screaming." I said, "We've deferred more than Manitoba produces in the last six months." And I said, "People are saying it's not a lost sale, it's just a deferred sale. But what a deferred sale means, it means you can't sell into that nearby position. You keep pushing it back. So what it in effect means is lost opportunities because by the time you can actually make those sales, the market's gone down, and therefore you don't have the advantage. So you're losing not only that opportunity to sell, but you're also losing the opportunity to sell at the highest price times." And I said, "I don't know why you don't say something about this thing."

And he said, "Well, I never heard about this." And he said, "Can I see you?" And I said, "Yeah." And I said, "When?" He said, "What about breakfast tomorrow?" So I said, "Sure." So I went over to his office the next morning. We had breakfast in his office—just some croissants and coffee—and I gave him the highlights of what some of these problems were. And I said, "What makes it difficult is the fact that each one of these parties, whether it be the producer or whether it be the elevator companies or the railways or the terminals, they've all got legitimate positions on this thing." But I said, "In the meantime, everyone shoots the other one because they claim that this isn't happening because it's someone's fault, and there's enough fault along the whole chain that it doesn't take a lot of imagination to be able to identify a fault and point a finger at it." [Laughs] And so, I developed some speaking notes for him, and I'll never forget there was a first ministers' conference, and Sterling went there. I had been out at a meeting and came back into the Grains Institute, and at that time, the executive director said to me, he said, "The premier of Manitoba is trying to get a hold of you." He said, "What do you think he wants?" I said, "Oh, I don't know exactly what he wants," [Laughs] because I didn't.

But anyway, I went into my office, and sure enough, I phoned Sterling, and he was at this first ministers' meeting. He came out to the phone, and he says, "I've got everybody's attention. What do I do now?" [Laughing] So I said, "Well, I think what you should do is say that you will host a meeting on this thing, and we'll see if we can't find some resolutions to it." And he said, "Good idea." And so, sure enough, he called for a meeting in Winnipeg, and when he got back, we got together and developed a suggested agenda and identified people who should be invited. But I also realized at that time that I'd crossed the road. In other words is that the great advantage of the CIGI was that it stayed out of the political arena, and this was getting into small big *P* politics—some could argue even larger *P* politics. But from my point of view, it was something that needed to be done, and so, I gave my letter of resignation to the Institute, and this was in November or December of 1978.

[0:51:12]

I then just left the Institute. It was over the Christmas break anyway, and I used that time---. We set up the meeting, if my memory is right, it was in January or something. Maybe as late as early Feb, but I can't remember. Anyway, I spent that time---. Because the key to a meeting is not the meeting itself, it's what you do preparing for the meeting. So I used that time, and I went and I saw all

the senior people in the industry and basically said that they would be receiving an invitation from the premier of Manitoba to attend this meeting. He had already got confirmation before he left the first ministers' meeting from Premier Blakeney of Saskatchewan and Premier Loughheed of Alberta that they were going to participate. So it had already got to a stage where I had told the industry that this was a go. This wasn't an "if" situation.

And I said to them that what I wanted them to do was to use this as an opportunity to tell their story from their lens. And I remember going to see Bob Shepp, who was the vice president of CP here at the time, very able individual. And Bob had been very active in the development of that block shipping system that I talked about and had actually been part of Otto Lang's Grain Groups that was tasked into Ottawa. But Bob, you know, said that, "We certainly have additional capacity. All we need to do is have the grain ship more through Thunder Bay and less through Vancouver." And I said to Bob, you know, I said, "If I were you, I would be a little careful of that. You can talk about increased capacity." But I said, "The ports at which you make available have a lot to do with what the buyer wants to secure that supply. And I'm not certain that the Chinese want to necessarily come all around to the St. Lawrence when they're on the other side of the Pacific, the same with the Japanese, the same with a good number—Indonesia, a lot of those Asian markets are your growth markets, and they're off the Pacific Coast. So if you're going to be moving down that path, I would have to simply point a note to the premier to ask you the question of when was the last time you were talking to Cereal Foods in China, et cetera. You talk on the railway situation, not on the market situation." And similarly, each one of them had real concerns about it. I wouldn't say anyone in the industry thought this was a brilliant idea. They didn't like discussing some of these issues in a quasi-public environment.

NP: So when you say "This was an--." The whole idea of just getting the group together was not such a great--? Or they had some concerns?

DS: A lot of them had some concerns. For example, I remember talking--. I spent a Saturday morning at the Wheat Board with three of the commissioners of the day, and they were concerned because, from their point of view, this was really a movement—and it was—of the provinces getting involved in this file. I think from a Wheat Board perspective, probably with some justification, they had enough trouble with the government of Ottawa. They didn't necessarily want to have every government--. [Laughing]

NP: Three more!

DS: Three more governments telling them what to do. And so, I remember that from the Wheat Board point of view, the Wheat Board did not want to see the Crow changed. The Wheat Board's basic position was, "If you just give us the cars, we can move the grain."

[0:55:15]

NP: And as the farmers' representatives--.

DS: And as the farmers' representatives--.

NP: And the farmers being the biggest beneficiaries--.

DS: That's right. The cost to the farmer would go up significantly if there was that type of payment.

NP: On the surface.

DS: On the surface. So with that, the Board said to me that, "All we need is cars." And I said, "Well, hold on here." I said, "Even if you're looking at cars, these provinces also have treasuries. Is maybe this in the interest of Alberta? Maybe it's in the interest of Saskatchewan and Manitoba to contribute to cars, if indeed cars is what the answer is. So maybe that's your message is that from your point of view, through your lens, that's what you need." So what it turned out to be, I think--. One other aside I would make, one other example where I thought it was important was I went over to see Dick Dawson of Cargill. And Dick has a lovely English accent--an Oxford graduate, wonderful sense of humour, very bright, very able individual. And I said to Dick, "Here's one place where Cargill as an international company could be very useful." I said, "What I'd like you to talk about a little bit is what's happening in the United States. I want you to tell people about what has happened in terms of the growth of the US grain industry from 1971 to the current time, and what's happened in terms of the number of barges, the number of elevators, the number of facilities, et cetera, and what has happened in terms of US grain exports during this period. This huge Russian purchase."

And so, Dick did. And so, we came out of the exercise, if you will, I think--. It was useful. [Laughs] I remember, as an aside, we did have a reception because I thought it was important after the first day for people just to sort of mix and talk and maybe let sort of the steam dissipate in a more social environment. And I got pulled out of the reception, and Sterling Lyon had one of the suites. It was in the old Fort Garry Hotel on Broadway here in Winnipeg. I went up to the suite and walked into the suite and was quite surprised because there was Premier Lougheed of Alberta and Premier Blakeney of Saskatchewan. So Sterling said to me that they were just having a discussion of where do we go from here, and that they had had lunch, a private lunch, with representatives of the Wheat Board in between the morning and afternoon sessions. And the Wheat Board had indeed asked them for railcars. Then Premier Blakeney turned to me and he said, well, they had been having some discussions within Alberta about the possibility of using the heritage fund to fund the building of Prince Rupert, and what was more critical? And I said, "Well, both are critical." I said, "One is a short term, and one is a longer term." I said, "If you buy railcars, as soon as those cars enter service, you can see a

quantum increase in the capacity to move commodity. On the other hand, if you announce the creation of the construction of a terminal elevator, you're probably five years before you see any benefit of that activity. So you can't compare them, other than to say that one is shorter term and one is longer term and both are very necessary."

And so, with that, I left, and the next day, we had the conclusion of it. And shortly thereafter, Premier Lougheed announced the funding for Prince Rupert and also announced the acquisition of 2,000 or something—I can't remember if it was 2,000 or 2,500—railcars. I think it was 2,000 railcars. Premier Blakeney announced the same from Saskatchewan, and Sterling phones me and says, "What do we do in Manitoba? We can't afford that." I said, "Well, why don't you lease some cars and have them dedicated to Churchill?" I said, "That way you can at least achieve several objectives." So Manitoba did go out and have some cars refurbished and dedicated to the Churchill service. So I only tell that story because, again, that when you have government policy and regulations and legislation that in effect places industry in a cocoon, that industry cannot respond without market signals. Industry normally operates in a fashion that just daily it's taking into account the market factors of that.

[1:01:04]

NP: Very predictably.

DS: Predictably and almost without notice. You don't realize how much things have changed until you look backwards. You don't see it on a daily basis, but when you look back two years—sometimes even six months—you'd be quite surprised at what changes have occurred. In the case-- . So when you put legislation and regulations that go years without change, the impact of that is almost beyond comprehension, and it creates rippling impacts that are staggering in terms of the evolution of an industry. And so in my view, the grain industry's evolution in Canada was profoundly impacted by the Crow Rate, for good and for bad.

NP: And eventually it was changed. Who took the leadership to do what had to be done, or were the farmers ready?

DS: I'm not certain the farmers were ever ready. [Laughs] I chuckle a little bit because we're kind of leapfrogging all around, but I'll tell you a funny story on that is that by this stage, I was Assistant Deputy Minister of Agriculture and Agrifood Canada, and my minister was the Honourable Don Mazankowski. We had been very active in the development of farm safety nets, and I therefore got to know the minister quite well because I chaired the committee process of farmers that developed two very significant farm income programs—the Net Income Stabilization Account, called NISA, and a Gross Revenue Insurance Program, called GRIP. That was several billion dollars in terms of federal dollars, and in that period, there was a lot of-- . We were in the middle of the Uruguay Round of the World Trade Organization negotiations, and our industry was getting battered terribly because of the export subsidies that were being developed by, firstly, Europe, and then the United States retaliated with even more so. And our poor

farmers were faced with North American costs and a market income based on with very little government support other than some ad hoc programs that we brought in from time to time when things just got to be so disastrous.

I mean, I remember going to the—I'm digressing here a bit—but I remember going to the Manitoba Legislature with the Honourable Charlie Mayer, who was the Minister Responsible for the Wheat Board, and there were over 5,000 farmers on the grounds of the legislature who were in real pain because they were not receiving the income that they needed, and they just needed something from a government point of view. It was agreed we needed something because we were hopeful the Uruguay Round was going to bring resolution to these international trade wars. But if we weren't careful, we wouldn't have any farmers there to take advantage of it. And so, there was recognition that we needed to do something and do it quickly. In fact, we had a meeting of this Grains and Oilseed Committee, and I remember Prime Minister Mulroney came to that meeting and listened to those farmers and basically endorsed the concepts that we brought forward, and it was fast tracked through the House. So I just mention that during that period of time, I had gotten to know Minister Mazankowski very closely because we seem to be forever going to cabinet looking for approval for this or for that vis a vis farming commissions. [Laughs]

[1:05:08]

By this stage, when we come back to the Crow Rate, he was Minister of Finance, and I remember him phoning me at home, and he said to me, he said, "Denny." He said, "What do you think will happen if we looked at the Crow Rate?" And I interrupted him, and I said, "Minister," I said, "I'm on a party line." I said, "How far do you want to go in this discussion?" [Laughs] He says, "You're on a party line?" I said, "Yes. I live out in the country." He said, "I didn't think there were any things left like that." And I said--.

NP: And for those who listen to this tape and don't know what a party line is, it means several people on one line and picking up on the ring. [Laughing]

DS: Several people on one line. Exactly. And so, I said to him that where was he phoning from, and he was phoning from his office in the Minister of Finance's office in Ottawa. And so, he gave me his direct number, and I said, well, I would phone him back in 15 minutes. I would go out, and there was a payphone about six miles down the road. So I drove down this six miles, went up, and put my 25 cents and phoned my collect call and got the Minister. [Laughs] And we talked about this for some time, and what we had always felt at that time that because of the cocoon impact I talked about earlier, it means that all people in the supply chain had made investment decisions based on the signals that were coming out of the government of the time, which were the retention of the Crow Rate. So if you're going to change it, then it should be a phased progression. Well, then he started into more details, and I finally said to the Minister, I said, "Minister, the questions you're moving into now you should be discussing with your political colleagues because I can't comment very much on what I think the reaction will be other than some generalities of different

organizations.” But I said, “What’s more,” I said, “it is minus 35 out,” and this was on a January day preparing for his budget. [Laughs] I said, “I’m frozen stiff, and my mind is frozen and therefore, I think your advice is better someplace else.”

And sure enough, when the budget came down, it was the first stage of the reduction of the Crow Rate that was predictably you had some questions, some criticisms, but I would suggest they were not very significant; that industry then saw the signal that was coming from government, whether they be at the producer level or downstream. The actual change in the Crow—I didn’t want to spend this much time on the Crow—but the actual change on the Crow occurred a few years later. It was the change in the government when the Liberal Government under Jean Chretien came in. Ralph Goodale was the Minister of Agriculture at the time from Regina area, and a wonderful minister—very, very able individual. But at that time, you’ll recall that Canada had a very, very significant deficit situation, and simply the costs associated with the maintenance of that program were huge. At the same time, through the Uruguay Round, that export subsidies were supposed to be ratcheted down. So you had a combination of very, very significant fiscal challenges that had to be addressed. All departments were looking at—. Not a question we’d been ratcheting down at five percent, five percent, and kind of what I called nickel-dimed for quite some time, and that’s not a good situation because what happens when you ratchet down in those five percent areas, you tend to try to retain what you’re doing, but it just gets done less well. At some stage, you’re much better off to say, “What is your core function?” And then ratchet down and decide, first of all, what it is you’re here for and put the resources into doing it well.

NP: Easier decision making, then, because you’ve got the--.

DS: That’s right. Get rid of--. And so now, in order to get this huge deficit under control, departments were really being asked to look at core functions, and things like the Crow Rate fell off the table.

NP: Just a question here, and this shows my lack of knowledge of how the Crow Rate works. But earlier you had said that the transportation companies, the rail lines essentially, were upset because they were subsidizing movement of grain through the Crow Rate. So how did the government end up spending money for the Crow Rate if it was the railway companies--?

[1:10:28]

DS: Well, initially it was the railways, and at some stage, everybody recognized—in government and elsewhere—that that couldn’t continue. And so, what happened was a rather elaborate formula was evolved whereby they would calculate what the costs were associated with the movement of grain, and the railways were in effect paid money for this. So it became a cost item to the government, which actually came out of Transport not out of Agriculture.

NP: Okay.

DS: But these are things that are, I think--. It just goes back to what I said a few minutes ago and that is that it is that interface of government policy and industry that is so challenging, and it's challenging in any economy. It's not just the Canadian economy. With the Crow, when the Crow was removed, fortunately, on one level that prices had spiked at the same time, and so, when the farmers actually delivered their grain into the elevator system, many of them, I don't think, were aware of it initially particularly. There was also some payment made out to farmers at the time, which was capitalized to compensate for that. But there's no question that today one of the reasons why there still is reviews of transportation and so on as we speak it's because that the grain industry is totally dependent upon rail for its movement, and so those issues of railcar allocation, issues of getting enough cars to meet the requirements are still issues because you're in a quasi-monopoly type of situation. If you've got an investment on one line, you don't have a choice in terms of how you get that serviced. You depend upon one railway.

NP: The Grain Transportation Agency [GTA], how does it fit into this whole thing? Like it came and went, right, over the--?

DS: Yeah, it's that the Grain Transportation Agency evolved back in the era that I had talked about just after the block shipping system where the Ministers of Transport and the Ministers of Agriculture, particularly Responsible for the Canadian Wheat Board, Otto Lang and Jean-Luc Pepin, were very critical ministers during that period. They created, as I say, this senior grain transportation committee, and one of the government's initiatives--. [Laughs] I'm being a little harsh, I suppose, but governments not only want to be doing something right, they want to be perceived to be doing something right. There was no question there was some--. The Wheat Board, because of its dominance of wheat and the significance of wheat relative to all other commodities at that time, were playing a very significant role in car allocation procedures, and the grain companies felt that they did not have as much say in that process as they should be having. The railways also had their own concerns, and so the Grain Transportation Agency was created as a political response to bring into being a government body that would essentially provide, in effect, a third-party function to the car allocation process and the overall handling and movement of grain thereafter.

So they played a, during that era, I think, an important role, but it was somewhat of an artificial role created because of government policy. As soon as the Crow Rate basically disappeared and the Western Grain Transportation Act was no more, then the need for a Grain Transportation Agency was no longer needed because then it became a direct negotiation between the shipper and the railway carrier. So it was an important function during that particular era of time, but again, as I say, it was kind of one of those many band-aids of branch line rehabilitation, government railcars, GTA. All of those things were built or created as a means to try--

[1:15:27]

NP: But underneath the band-aid, the festering is still--.

DS: The festering is still taking place, yeah.

NP: I have a question on--.

DS: Now, that's my personal analogy of it.

NP: Oh, and you know, this is one of the fascinating things about this project is you mentioned names—some of whom we've interviewed—and we get--. But the pieces all come together not all that differently than--. People were taking their stands based on where their interests lay.

DS: That's correct, yeah.

NP: But underlying it, they're very reasonable people. But I'm wondering--.

DS: Every one of those people were trying to get the job done. It doesn't matter the objectives, but there were some real challenges associated to its resolution.

NP: What interests me, again from a historical perspective, is when the grain industry was developing, including the Crow Rate, the number of farmers—voters—in the Prairie Provinces was very high, and so, understandably, the pressure they could bring to bear on the politicians—and many of them were former farmers or farmer organizers. But things have shifted a fair bit by the time you're talking about in the '70s and '80s with the number of votes that you could count on from the farming communities. So why the lag in making those changes?

DS: It's a difficult question. I'm not certain there's an answer for it. I think your first comment is very definitely right. In other words is that your farm leaders of the day in our early history were very active politically, and very successful politically. Many of those farmers who came out of the farm movement went onto very senior positions within the industry. There was also a fair legacy--.

NP: Within government.

DS: Within government, I mean. But my mind was jumping there. I was also thinking of people even like Mitchell Sharp who didn't come out of the farm movement, but who had spent time in Richardson's as a young man before he went into government service, and he had, of course, then became a Deputy Minister of Industry under C. D. Howe before he then became a significant minister himself. And so, he had a history of the grain industry. So even during that period of time, Sharp had almost a passion vis a vis the industry. At the same time, Otto Lang, although he came from a legal background coming out of Saskatchewan, was a very quick study and brought, I think, kind of a refreshing look at things because he did come out from a different background, and he brought a different lens to the issue. And he certainly was prepared to try new things and experiment, and he went through a series of studies. I mean, he just created books after books after books of research materials trying to get a better handle of what the cause was.

At the same time, you had within the provinces the farmer political movement that led to the creation of the farmer-owned organizations, and those farmer-owned organizations—Manitoba Pool Elevators, Saskatchewan Wheat Pool, Alberta Wheat Pool—all were very influential at the grassroots level politically, and therefore, certainly in terms of rural seats had a pretty significant, I would say, political influence. Certainly, as time moved onwards, and we started to-- By the time when I was still, say, as an executive of Federal Grain in the late '60s, early '70s, there's no question that you still had very significant farm leaders. Mac Runciman, I think back, as president of United Grain Growers, Ted Turner, Doug Livingstone. I mean, a lot of very able farm leaders who still had fairly significant political influence.

[1:19:53]

I think by the time we marched through the '80s, that began to dissipate with this caveat a few minutes ago. The willingness and the priority that, say, the Conservative Government with Mazankowski as Minister Responsible for Agriculture and then Finance, and the Prime Minister-- Huge amounts of money were being provided to the farmers, mainly because they wanted to ensure, as I said earlier, that there would still be a vibrant farm group by the time we ended up with a successful Uruguay Round. Ralph Goodale shifting to the Liberals, he started in politics as a parliamentary secretary to Otto Lang, so he had come up through, I would say, that same era, though he stepped away from politics for a while. He then became leader of the Liberals in Saskatchewan. [Laughs] You don't be a leader of the Liberal Party in Saskatchewan without being pretty cognisant of farm issues and, particularly grain issues. And so, when he became Minister of Agriculture and subsequently Minister of Finance, he retained that same passion in terms of agriculture.

So there has been, even in this period, well, I think that you're seeing a bigger change today than you are, say, ten years ago. When I'm dealing now with senior people in bureaucracy or even in terms of at the political level, there are not nearly as many that are, I would say, one generation away from the farm. And so, when you start talking about these issues, you will often look at people and

just see a blank expression on their face, and they don't have that instinctive understanding, if you will, that has been developed because they grew up on a farm, or they know people, or parts of their family are still on the farm.

NP: Is that problematic?

DS: I think it's one of the greatest challenges we face today.

NP: The industry or Canadians?

DS: Combination of both is I think that it certainly creates a bigger challenge as we look at even issues associated with things like food safety, or issues associated with products produced with modern biotechnology—these kinds of issues, which are very much today's issues. We don't spend a lot of time talking transportation as I've spent an hour and a half or whatever it is talking about. [Laughs] But these issues are very real issues, and I think that there is a less of an understanding within the general public about food production, generally speaking, and therefore, from an industry perspective, I think it's one of the challenges in what steps can you take to ensure that the new regulatory envelopes that are being created to manage today's challenges or tomorrow's risks are being done in a manner in which can still preserve, if you will, the capacity of our farmers to produce the food that's required. So I think those issues are very much today, but they're different.

NP: Mmhmm. I'm going to shift gears here, and I should say that a second interview is possible if you're willing, and certainly, I've had as many as four interviews with people. But I want--. Because part of this project comes from an interest of Thunder Bay people who have seen their own set of changes—big, big, big changes—in the grain industry, I just want to go back to that, and actually, this takes us back to your work with Federal and the selling off of the assets. So I'm going to leave this fairly open because I'm not certain of your familiarity with Thunder Bay or actual on-the-ground experience. But I'm interested—and I think a lot of Thunder Bay people are interested—in the changes that have occurred there and looking at sort of a bigger picture because were very, I think in many instances, quite parochial, and we just see the closing of elevators and trains going by. So comment away.

[1:24:46]

DS: Thunder Bay. I haven't had a huge amount to do with Thunder Bay over the years. I remember when I first went to Thunder Bay wearing a grain hat was shortly after joining the company, Federal Grain, and as I had indicated earlier, that was within a few months of the merger with Searle. So there was four of us that actually went to Thunder Bay to take a look at how we could more effectively bring the management team together that had been operating those two separate companies now into one. And so, I did

get a chance to go through each of the terminals, and I forget how many we had there. There was four or five of them, maybe more. I remember the old—what was it called?—Westland. There was this old terminal, and I'd have to check my reference source to get all their names right, but it was one of the original terminals that had been built, and it was up the river, and it was a monster. I mean, I had never been in the terminals before. As I said, my background had been in journalism. I walked into this facility, and there were just miles of belts. There were these big steel bins that were out that covered a huge area of land base rather than being the tall, tall concrete structures. Yes, it had its workhouse, et cetera, but it had these huge steel bins. It just seemed to be miles and miles of conveyor belts.

I was pleased I saw that because it really--. You talk about the voices of the past. I mean, this was as a--. I was a young man, and I walked into this thing, and this was history right there. I mean, those kind of things, it would be totally impossible to preserve them, but on the other hand, it will always be in my memory as a wonderful memory of just the type of facilities that were used at that time. Even at that stage of '67, we recognized that the growth in the grain industry was off our West Coast versus our East Coast, so what we were looking at was how best to consolidate the movement. And the key with terminal operation is—if you want to get it into simple terms—it really is an interface, as I talked about earlier, between land and water. And so what you really want to have is what is the easiest, most efficient way of servicing both from the land and from the water point of view, and obviously, those houses on the river were not nearly as efficient as those that were--.

NP: On the bay?

DS: On the bay itself. And so, we were looking in that first trip as to how best we could, say, consolidate some of those operations. We were looking in terms of those that we felt were the ones that were going to be the vibrant ones of tomorrow. What did they need in terms of upgrades to be able to take on those added volumes into the future? And it was also a case, too, of having discussions with the senior management of the two old companies' operations to, in effect, determine a new management team to move it forward. But Thunder Bay, I always kind of have a soft spot for it, I think, and it's not because of the grain business. And I am going to digress here a little bit because you really do pull me into the past here.

One of my early tasks as a journalist was with the *Winnipeg Tribune*, and the *Winnipeg Tribune* was owned by Southam News Service, and I was asked by the *Tribune* and Southam News Service if I would do political assessments of ridings. I was to do the Port Arthur-Fort William riding and the Kenora-Rainy River—I guess it was called in those days—ridings as well as a bunch of Manitoba ridings. So I remember as a very young person just kind of getting in my car and driving to Thunder Bay, and that was really my first time in Thunder Bay. I spent about a week poking around that riding, going into different towns and in the harbour, and going into the odd pub and so on just trying to get a feel of what were the elections issues, how many of them were issues that were of national importance or how much of it was of local importance.

[1:30:21]

I guess, as I say, I spent a week in each of those two ridings, and I did really become fond of Thunder Bay. One of the reasons I'll never forget this is that I was driving down one of the streets, and I noticed there was a big—this was in the fall—and there was a big tractor-trailer unit there, and they'd opened up the back of it. I was in behind it for whatever reason, and I just pulled over because it was a mass of people there, and I couldn't figure out what this was all about. And then I realized it was a truck from California, and they were bringing grapes, and all of these people had big bags and boxes, and they were getting all these grapes. [Laughs] I was able to talk to more people in that one spot, I think, than any other single spot I found in one set of interviews. But one the things I was going to say that struck me and has stayed with me—and as your career paths change, it's surprising how some of these things percolate back—but I realized that there is a feeling of isolation that exists in Northwestern Ontario that doesn't exist, in my view, in equal distance, say, Winnipeg into the western part of Manitoba or whatever. If you go up into maybe the northern part of Thompson or something, I think you may get the similar type thing, but there was a feeling—and it didn't really matter what political party it was—but there was a frustration there, and there was an even greater frustration even in terms of Northwestern Ontario to its provincial government too.

Well, I would suggest you don't get that same thing in terms of a lot of other parts. Whether it's because it's an anomaly that there's maybe more commonality because of the history of grain and other commodities flowing through Thunder Bay with Manitoba and so on, but it's almost as if it's the forgotten child of Ontario. The reason I raise it is that way back when I was Assistant Deputy Minister, the very short-lived Campbell Government created a Minister of Small Communities, and nobody had ever heard of this thing before, never mind the public service, and so I was asked if I would determine how the public service within the federal government could staff a Ministry of Small Communities. So I said I didn't know anything about rural areas other than, as I said earlier, I was still on a party line. [Laughs] But other than that, I didn't know very much, and so I said that if I'm going to do this, then I want to go into each of the provinces and talk to the provincial governments as to how they're addressing it, but also the municipalities and so on.

So I did. I spent quite a bit of time travelling across Canada talking about--. But what I came out of that was the definition of rural in my view, it's the tyranny of distance. It is that isolation, if you will. And so many of our government policies of that day and still to this day, I would suggest, are being developed by people who have very little understanding of that factor. And so, you can develop government policies that say, "Oh, well you take this to a bank or something." Well, that bank could be a long way away. It's not like here at Portage and Main where you can go to any corner of the street and go into a bank. And I mention that because I do think that when you say about Thunder Bay and that part of the world, I have always felt that isolation, if you will. Coming back to the grain industry, another interesting time I was back in Thunder Bay was a difficult time. There was a labour dispute

underway. The picket lines were out. The negotiations were underway. The discussions had been carrying on for some time without apparent resolution.

NP: Against a company, or it was sort of a harbourfront--?

DS: In those days is that your grain handlers', basically union, the contract was with a trade association.

[1:35:06]

NP: Okay.

DS: So it was a trade association, Lakehead Terminal Elevator Association if my memory is right, was responsible for it. So it wasn't a direct company to company, but the companies were basically on one side, and the union, obviously, on the other with lawyers in between. And I was asked by George Sellers, who I said earlier was the president of Federal Grain, if I would go and just get kind of another assessment as to what was happening. And I did go down there, and I think that the part that did surprise me and bothered me a little bit was that it's unfortunate sometimes when labour union relationships—and I'm not a labour lawyer or have any background in it whatsoever—but as a third party sitting there, it's just sort of frustrating because I did find that there wasn't the kind of atmosphere in those negotiations that I would have liked whereby we're all in this together. We all have to make sure we're going to come out the end of the tunnel. If the companies can't make money and go broke, they won't be here tomorrow. If the people don't make enough money, they're not going to be there either. [Laughs] So surely, we can find a better way of resolving some of those disputes.

I found that to be a very frustrating thing because I put as much fault on both sides of the table, and I didn't think that either of the lawyers were making a difficult situation any better. Ultimately, that particular issue was resolved in Ottawa in essence. The ministers did get involved, and the pressure was applied, and resolution was achieved. But I did feel that there was more barbarism or barbaric-ness to that approach than what I felt was really healthy.

NP: Win-win was not in vocabulary at either negotiations in those days.

DS: No. I mean, I think that it just, for employees, I think your best employees are employees that enjoy the opportunity to work for that particular organization and feel a part of it. In terms of Thunder Bay, there's no question in my view there are still challenges ahead. The Seaway is at a stage where it needs work, so I think that the new pathway exercises that are underway as each, in effect, trade route in the country is being re-examined and looked at, I think it's identifying some of the challenges.

NP: Who is that under the auspices of?

DS: That's the Minister of Transport.

NP: Okay.

DS: And there's a Pacific gateway, and there's another gateway out the St. Lawrence, basically, and there's north south and so on and so forth as Canada tries to take a look at the major trade routes and what needs to be done to make them more efficient. But there's no question the St. Lawrence Seaway is a real challenge because the trendline is going to bigger vessels. In other words, is that your Panama--. Up until now, your maximum vessels for grain for the most part have been in the 50,000-tonne range because those are the size of the vessels that can go through the Panama Canal. Well, the Panama Canal has been significantly increased, and so that bar is going to get higher, and then you're still in a situation of fairly limited size vis-à-vis the locks going through with around 25,000 for a laker or something. And so, I mean, I think there's certainly opportunities and a lot of opportunities, but I'm just saying there's also challenges there too.

NP: Yeah. Growing up in Thunder Bay and also, I think, through the project, there have been a lot of speculation or informed opinion about, well, Thunder Bay was the largest port at one time, and then, obviously, over the years things have changed. And assigning blame or reasons, I think, when--. As you said, it's really tough in a situation where things are being dismantled as opposed to being built, and that's certainly what's been the case in Thunder Bay over the years. So was it just inevitable? Were market shifts such that there was, although efficiencies possible, in the overall scheme of things, the writing was on the wall?

[1:40:13]

DS: Yes. I mean, I don't think anything could be done. But I'm also maybe the wrong person to ask that question because I haven't really examined it.

NP: We ask a lot of people, and the picture becomes clearer as everybody feeds in their feelings.

DS: My own reaction of it is that the growth markets have shifted from off our East Coast to off our West Coast, and that's primarily because of growth in populations. It's also the evolution of China into a huge, huge, huge country with--. That is not only in terms of number of people, but in terms of the openness in the development of its economy. So you've got the tremendous growth that is taking place in the West Coast. And what I mean by the development of its economy, I mean that is raising the

income levels of those same people. So you have huge populations, and now you're getting more income, which means more sophisticated food, which means more grain products feeding into animals and more protein and so on and so forth. So the growth is certainly going, in my view—from a grain point of view—continuing to be off our West Coast.

You also have the efficiencies that I talked about earlier where you have deep water ports off the West Coast, and as those vessels get bigger, they can still service those vessels. The East Coast has certainly some growth areas, but I would suggest that not to the extent that the West Coast has. I think a lot of the East Coast is very stable, so I don't see significant declines in that sense, but do I think that the East Coast is going to, say, resume its position as being the major port for grain out of Canada? I would say no, I don't see that. The question as to would changes in policies make a difference? I don't think so. Going back to those times when I was in charge of the rural area for Canada—and in that I was also very active within the OECD [Organization for Economic Co-operation and Development], the rural development group, and had a chance to look at this issue in many different countries' lens—that I felt that the challenges we had to look at were probably best focused on trying to look at tomorrow's opportunities rather than retain last year's opportunities.

One of the things I felt when I was with the federal government ten years ago—15 years ago now—I was trying to push the federal government to get into high-speed internet because I felt that with this tyranny of distance that I referred to earlier, to me that's the great advantage of the internet is you don't have to be in a downtown location. You don't have to be in Toronto. You can be doing that same work out of a Lakehead, that you could be doing it anywhere. And because of the quality of life associated with that rural, which is what keeps people into those places anyway, the combination of quality of life—whether it be access to the amenities of lakes and forests and so on, or whether it even be the cost of housing or the cost of a lot of these other things—that if you could look for economic activity that would give that person the excuse, if you will, to be able to stay in those places or come into those locations, I felt in those days that the internet could be an extremely effective tool to facilitate rural development. But it would also mean developing industries from a policy point of view that could harness the capacity of that internet as its tool to do that work, and that doesn't mean bringing in lakers and bringing in trains. So to my mind on the policy front, as I say, I think the challenge is look at tomorrow not backwards.

[1:45:15]

NP: We have 15 minutes left in our time today, and--.

DS: If that's the case, then I want to spend a few minutes on the Grains Institute because I skipped over that.

NP: Okay. Yes, I was going to say, do we really want to go into that, or is that something we want more time for?

DS: No, I'll do it relatively quickly.

NP: Okay.

DS: Because I spent 17 years of my life there, which I didn't intend to, and did because it was a fun place to work, and it was a fun place because it was rewarding. It was a wonderful concept. And when I first started, we had a small office over in the Grain Exchange Building, and the 303 Main Street—the Canadian Grain Commission building—was under construction.

NP: And who headed the CIGI at that time?

DS: At that time, the head of it was a chap by the name of Victor Martens, and he's been the executive director of the Canadian Grain Commission prior to that time. And Vic was a wonderful gentleman and a very, very knowledgeable person on Canada's grain industry. In my view, he was the perfect person—just the right person at the right place at the right time. But anyway, what I was going to say is our first task was actually just to physically lay out this concept, and we ended up basically to create a facility that would be able to show an overseas buyer how Canadian grain could be used under the conditions of that overseas country. And so, we, in effect, put in a pilot flour mill. A commercial sized flour mill was actually put in on the 10th floor because that was the maintenance floor that went up through the equivalent of two and a half floors because of all the other maintenance equipment that had to go there.

And so we put in there, and we put what in effect was a commercial bakery, which meant that you could basically reproduce any type of bread product under commercial conditions. The idea was that we wanted to be able to show an overseas buyer how something would perform, particularly in the case of wheat—how it would perform under commercial conditions. If you show somebody how it performs under laboratory conditions, then they're going to say, "Well, that works in a laboratory, but it's not going to work in my mill back where I come from, or my bakery," or what have you. So we decided to remove that potential objection and go directly with a commercial facility. And then we created classrooms and so on and so forth.

We decided that the key was that the emphasis would be on the application of the technology rather than the academic theory behind the technology, and this was a very conscious decision. It's also why we decided it should be located in downtown rather than at the university, and there were strong pressures to actually have it at the university. There's strong arguments for it too. I don't discount them. But where our concern was at that time was there were many excellent agricultural colleges throughout the world, and what could make ours be better than what existed all around the world? And what we felt was what there wasn't was a place like Winnipeg that had the commercial industry all within a five-minute walk of Portage and Main. You had the Winnipeg

Commodity Exchange. You had the Canadian Wheat Board. You had the head offices of all the major grain companies. You had the Canadian Grain Commission itself with its Grain Research Laboratory, its inspection functions, and so on. And so, we felt that rather than building a staff of, say, specialists who would in effect become a professor or lecturer, we would harness the industry in that our senior people—our director of marketing, for example—wouldn't be the one who was doing all the lectures on marketing. His responsibility was to identify who were the key people in our industry who could discuss different aspects of marketing, and we bring them into the Institute to resource that. As the person responsible for handling and transportation, I would get the people involved in terminal elevator operations. So I wouldn't stand up and talk about terminal elevators. I would get somebody who was the head of terminal elevator operations for one of the grain companies to come, and he could come because it was a five-minute walk from his office to here.

[1:50:15]

And so, what happened was that this facility evolved. We actually--. The very first course we had actually turned out to be for farm leaders. And I had one of the prominent farm leaders of the country at that time come and saw me, and he said, "What are you going to do for farmers?" I said to him, "Well, this is going to benefit you because of the market development." He says, "What are you going to do for farmers?" He says, "None of us understand what happened beyond the farm gate. We need to know what happens at the farm gate." I said, "The problem is you've got 150,000 farmers or whatever it is. We can't even begin to do that type of thing." And he said, "Well, why don't we do something for farm leaders then? For the leadership." And so I went to the board and to Vic, and sure enough, it wasn't even identified in the initial proposal that went up through the Treasury Board. And so, we ended up with the very first program we had was for farm leaders, and we actually did it before we had the physical facility completed, and it was held at the old Fort Garry Hotel. But that very first program still continues to this day 30 years later—35 years later.

And the next program we had was the international program, and we called it international because we had it--. The key to it was that the Grains Institute doesn't identify who from overseas should be invited to the program. We go to those who are responsible for the export. So it would be the Canadian Wheat Board, or it would be the Richardsons or the Cargills or the P&Hs [Parrish & Heimbecker] or whoever it was that was doing the exporting, and they would identify the overseas participants. But on the international course, we developed the first one we had some time spent on on grain technology—I mean by that grain inspection, the relation of grain milling, grain baking—to show the relationship between grade and milling properties or baking properties or so on. Then we went on and had another week on handling and transportation systems that would also involve physical tours. We'd take people to Thunder Bay, for example, or to Vancouver and show them, take them through the facilities themselves. And then about a week in grain marketing where they'd look at ocean freight and so on, price mechanisms, futures markets, and so on.

The difference was that the person who was lecturing—as an example, it could be on foreign exchange—well, from an academic point of view, you could take PhD, post-PhD on foreign exchange if you wanted to, but from the buyer’s point of view, what they want to know is how do you identify your risk exposure in foreign exchange trading? And secondly, once identified, what steps do you take to manage it? Well, that can be best be done by the manager of foreign trade, foreign exchange trading.

NP: Practical experienced person.

DS: Practical experience who is doing that every day of his life, and he can therefore say what happened last night because that’s his business to know what happened last night. Well, the concept has worked unbelievably well, and it has evolved over time, but basically the concept that created it is still there. It gives you, from a--. I found it was so interesting it was just by osmosis, you gained an enormous understanding of the grain industry around the world, which gives you a much better appreciation as to what we need to be doing in Canada to achieve the buyer’s requirements. I remember--. I go through so many different stories because I guess I’ve travelled to 60-70 different countries around the world looking at their industries, trying to understand them. But to give you a quick glimpse of this is, I remember one time going into Egypt, and I was there as a guest of their grain silos and flour millers’ organization. And Canada had signed an agreement with them—the Wheat Board had—and a provision of that was that the Grains Institute would provide some training assistance to them.

[1:54:42]

Well, if you’re going to develop a particular program, the great benefit of that is contingent on how effective it is at being tailored to meet their specific requirements. And so, I went over there to have discussions, get a better understanding of their milling industry and their baking industries and so on. I was seeing their vice president of their milling association or company, and he said to me, “Would you like to see a stone flour mill?” And I said, “Well, I’d love to see it.” He said, “It’s up in Luxor.” I said, “I’d love to see it.” Luxor is a very famous place on the Nile with wonderful temples, and it’s right near the Valley of the Kings and so on and so forth. Beautiful. Not beautiful, but a historic interest. [Laughs] So anyway, I said to him, “I need to see something. We want to tailor this to meet your conditions today.” He said, “Well, we just opened this mill a year ago.” I said, “A stone mill a year ago?” And he said, “Yes.” And I said, “Well, why are you using stone mills?” And he said, “Well, because it doesn’t require any foreign exchange.” And he said, “We can achieve the flour quality we want with this mill from a dollars and cents point of view.”

So I said, fine, I would go up and see it, which I was very glad I did because I saw some of their history that I would never have seen. But what was of great interest was that when I went into this mill, here was this main floor was just row after row after row of these big, huge stone grist mills grinding away, the stone. Hundreds of people around. Obviously, labour wasn’t a key factor at all. What I realized was is that they were milling at a very high extraction rate just on this stone mill, and it gave me an understanding

as to why they wanted a white-skinned wheat because when they ground all of this up—and they have obviously a lot of bran would still be in that flour from the stone grist, and their sifting was very basic—it meant that the colour of the product was still relatively white. When you had the red-skinned wheat from Canada at that same extraction rate, it looked as if it was brown. So the end baked product that would come out would be looking brown versus looking white. And so, it's those little things that you begin to realize.

Or you go into Asia, and you realize that in those Asian countries they're not necessarily using their wheat for bread. They're using it for noodles, and there's many different types of noodles as there are types of bread, and each one of these different types of noodles requires a different flour quality to give them the optimum yield or the optimum benefit of that particular wheat. So we came back, and we changed the design, and we put in noodle plants into the facility because the critical thing was you had to show them how it would perform against their particular end-use product. It was amazingly successful, and as I say, today the concept is as vibrant as it was right from the get-go. But it does show you--. And I still find to this day when I'm travelling internationally, I will often be at international meetings of different types, and there have been people there that have attended the International Grains Institute, and it does provide. There's a softness in their hearts toward Canada as a country and towards CIGI in particular.

NP: A lot of economic decisions are emotionally based. [Laughs]

DS: A lot of economic decisions are made on that basis. There's no question about it. It's been a very, very, I think, effective market development tool for Canada.

[Audio pauses]

NP: Yeah.

DS: I'm supposed to be at lunch at 12:15.

NP: Okay. So we have run out of time today, but you have agreed off tape to a follow up interview, so I'm looking forward to continuing the discussion. I'd like to thank you so much for a truly valuable contribution to our Voices of the Grain Trade.

DS: It would be my pleasure. I've enjoyed it.

End of interview.

