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of the

**Legislative Assembly of Manitoba**

**DEBATES  
and  
PROCEEDINGS**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Seventh Legislature**

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## LEGISLATIVE ASSEMBLY OF MANITOBA

Thursday, July 20, 2000

The House met at 10 a.m.

### PRAYERS

### ORDERS OF THE DAY

**Hon. Gord Mackintosh (Government House Leader):** Mr. Speaker, would you please call debate on second readings, Bills 14, 16 and 31.

### DEBATE ON SECOND READINGS

#### Bill 14—The Provincial Railways Amendment Act

**Mr. Speaker:** To resume debate on second reading, on the proposed motion of the Honourable Minister of Highways (Mr. Ashton), Bill 14, The Provincial Railways Amendment Act (Loi modifiant la Loi sur les chemins de fer provinciaux), standing in the name of the Honourable Member for Carman (Mr. Rocan).

Is there willingness to leave the Bill standing in the name of the Honourable Member for Carman?

**An Honourable Member:** No.

**Mr. Speaker:** Leave has been denied.

**Mr. Harold Gilleshammer (Minnedosa):** I am very pleased this morning to be able to put some words on the record on Bill 14, The Provincial Railways Amendment Act. I would start by saying that this bill certainly has drawn a lot of interest across the province by people who are involved with the national railways and people who are involved with the provincial railways. It also has caught the attention of municipal councils and farm organizations, heritage buffs and many, many others.

I would mention that the Government, in introducing this bill, has indicated that this is intended to encourage investment, that it is

intended to address community concerns on line abandonment, and it is going to attempt to prevent the removal of infrastructure without allowing an opportunity for its continued operation in the public interest. These, of course, are laudable objectives. These are issues which the community has discussed over many, many years, many decades, but some of them are in competition with each other, that in order to satisfy one aspect this bill is intended to deal with that it also will run into objections from others.

First of all, I would like to just talk about railways and the emotional attachment that Canadians and Manitobans have to railways and railway travel and transportation in Canada. Going back to the founding of our country, it was the railway, those ribbons of steel, that in the 1880s stretched from coast to coast. For many decades, many generations, this was seen as binding this nation together, this confederation of different groups of settlers who came to this country. It is not unlike what happened in the United States as well, that railways stretched from sea to sea. As I say, this ribbon of steel was what bound the country together, what allowed people to travel from one jurisdiction to another. In fact, it joined communities, not just provinces.

If you look at some of the railways in our province, often communities grew up along rail lines. That was the means of transportation. That was the way that goods and services came into our communities. Just an aside on rail-line abandonment and railways, one of the major lines that has been abandoned in this province is one called the Rossburn subdivision which started in the Neepawa area and went through communities like Bethany, Clanwilliam, Erickson, Sandy Lake, Elphinstone, on to Oakburn, Rossburn and up to Russell. This is a line that family members of mine worked on in the 1940s and '50s and '60s. This was a lifeline for our community. I can recall, in those days,

the daily paper was brought to our community by the CN line, albeit it was a day late. That was just something that we had to live with.

It was also how food was brought into our community. Everyday the train would come in. There would be food products that would be delivered to the stores in Erickson and Onanole and Clear Lake, by truck after that. It was how oil and gas was delivered, and every community had a siding with the great oil tanks there and, of course, the grain elevators.

In many ways, it is sad to see these disappear. The elevators were the sentinels of the community. Long before you could see any other part of the community, you saw these massive wooden grain elevators which now, of course, are being replaced by inland grain terminals. They are being torn down. We just opened a new grain terminal in Minnedosa about a month ago, and it was days later that the wooden elevator was brought down to the ground in a matter of hours.

There is an emotional attachment. These railways that joined our communities, in many cases before good highways were put in place, they not only carried goods and services, they also carried people. I can recall one of the first trips our family took to Europe after the Second World War. We left our community by rail. It took a day's travel to go from Erickson on to Neepawa, Portage and Winnipeg.

I remember using that rail line. My mother would take us into Winnipeg at Christmas to do Christmas shopping, and it was a major source of transportation for people in the community. I recall also that at Clear Lake in those days there was a Boy Scout camp and a military camp. They would send a troop train out from Winnipeg, and it would gather young men in that instance in the various communities. They would all gather at Clear Lake for this camp for a matter of two or three weeks, then they would change the guard and another group would come in.

These are memories that I have. I know that all Manitobans have memories of the rail lines that connected our communities together. It is difficult. It is very difficult for most people to

accept change, and that is exactly what is the essence of this bill. We see that the main lines of the CNR and CPR, the two companies that owned all the lines in Canada at one time are changing. They are changing to react to the fact that train travel is no longer the mode that most people choose. People want to travel very quickly, and they do so by plane. There are very few profitable lines now where moving people is their primary objective.

Although, I would say to colleagues and members of the House here that this is still a wonderful way to see our country. This is a wonderful way to see the Canadian Rockies. This is a wonderful way of travelling through Québec and on to the Maritimes. While this is not going to remain that way, for whatever reason, in Canada we have not got into the development of high speed trains that move people very quickly.

I know in Europe that some of these trains can move people at 500 miles an hour, and the governments in those countries have invested in them. I know my daughter, who just arrived back from England last night, took a six hour bus ride from Leeds to London before she got on a plane, and they did not realize how slow the bus would be because when they went there they got there in two hours by train.

This investment in rail transportation just has not happened in our country. At this point in time, it is doubtful that we are going to see this. It is very, very doubtful that we would ever see this on the Prairies. So we are faced with this issue then of what to do with these rail lines. One solution that has come forward is the fact that shortlines can be developed. It has been a very difficult task, going from the mainline railroads, like the Canadian National and the Canadian Pacific, those historical lines that were there in the days of Confederation and following that bound this country together. They were very reluctant to give up their control of those rail lines, but, gradually, through some government intervention, in fact, rail lines have been closed down.

It is very difficult to argue that uneconomical rail lines should be forced to stay in existence without government support. No business can

continue on if it is not viable. No business can continue on without the ability to make a profit to be able to pay their employees, to be able to pay for the upgrades that have to take place so that these rail lines can truly compete. So, the companies themselves were very reluctant to create competition by selling off parts of their holdings to other companies and create shortlines.

\* (10:10)

So, this emotional attachment that the public has, this feeling of history that people across this country have for the rail lines, in a way, played into the hands of the national railways, because people wanted the national railways to continue to exist. They wanted to, I think, live in that romantic era where rail traffic was so important, so vital to this country. All of us can think of movies that we have seen in the past where the use of rail traffic was central to it. Unfortunately, people live at a faster pace now. In many ways it is unfortunate. They want to get from point A to point B in a hurry, and as a result air traffic has dramatically increased. Air traffic, which once was the, I suppose, purview of people who could afford it, now is something that everyone considers when travelling, and as a result, certainly passenger service has diminished.

Businesses and companies, of course, have found other alternatives for moving freight. I talked a few minutes ago how our small communities depended on those rail lines to bring in food products that were not readily available within the community. They brought in lumber, they brought in oil and gas, they transported grain. Today, the trucking industry has developed to such a stage that most of these products now are trucked into our communities, and probably the one exception is that a lot of our primary products are still moved by rail, but certainly not exclusively. On the Prairies, much of the rail traffic you see is grain which is being hauled, much of it for export, and has to be either put into the St. Lawrence Seaway system or taken to the West Coast. So, there still is a role there.

At any rate, I think I have established this emotional attachment that people have for railways. But, ultimately, this becomes a busi-

ness decision and we are seeing an evolution. The railways are becoming less significant for the moving of passengers and freight, and trucking is taking over. It is ironic in a way that it is the Minister of Highways (Mr. Ashton) who is bringing this bill forward in that much of the harm that is being done to provincial highways is a result of the offloading of rail traffic.

I would hope that this government will be able to put more of their resources into highway construction. We saw in this budget a reduction of \$10 million in the capital program. We already know that that program is underfunded. I can recall, when I first came to the House in 1988, Highways ministers were lamenting the fact that there was not enough money put into highways, and, in fact, the provincial government was able to do one capital project for every ten that were required to be done. Recently, I heard the Minister of Highways indicate now it is one project in seventeen. In fact, the fact that he lost \$10 million in the last budget exercise is going to further exacerbate that situation.

I would urge he and his colleagues to take a serious look when they are working on their next budget, which I am sure will start in the next few weeks. I hope they look at putting more resources into highways, and, of course, the federal government. This is something that all members in this House agree on. The federal government has a responsibility to also put some of their resources into highways construction in this province. We have seen them take hundreds of millions of dollars in gasoline tax out of our province over the years and this year not putting one red cent back in.

So the fact that we have rail-line abandonment is putting more and more pressure on provincial highways, and this will only continue. So this is a reason why we must try and create as many of these shortline railways as we possibly can, that there are areas of the province where road transportation is underdeveloped, where rail transportation already exists, and we must be able to find a way to have shortline railways created in this province, and we must have a way for them to continue to exist.

At the present time, it is my understanding, we have two provincial shortlines, and we have

one interprovincial shortline that runs up to Churchill. I know the Minister has spoken very positively about that particular line, but we also have the shortline going from Morris to Elgin. That is the Southern Manitoba Railway. I know the Minister is aware that they have a tremendous amount of interest in this particular bill. We also have another railway that runs from Pine Falls into Winnipeg and through to Carman. So I think that we have to find ways to preserve these. We have to find ways to create more of these rail lines. We have had a number of them abandoned, and this is part of the concern of this bill that lines do not go through an abandonment process without municipalities and provincial governments and, in fact, the general public having an opportunity to truly examine the viability of these railroads, and if there is a use for them and if they are economically viable, to have a process in place whereby community groups and municipalities, government can take a very honest, straight-forward look at the possibility of putting these into a shortline rail company. But, again, they have to be profitable.

At no time would I indicate that they should be propped up by government. If those shortline rail lines are not profitable, then they should be discontinued. This is where, I think, a lot of work and research has to be done by anyone contemplating purchasing these rail lines. So we have seen a combination then of abandonment, over the last three decades, of rail lines in this province, and we have seen some success in the developing of shortline railroads.

So more specific to this bill then, the Minister had indicated it was intended to encourage investment. I think the Bill falls short in this area in that I am hearing people in the railroad industry saying there will not be one more shortline created in this province if this bill in its present form passes, that people who are prepared to invest in shortlines are not going to do so, because of the conditions that are put forward in this bill.

I know the Minister has spoken to me about bringing forth amendments. He is going to share them with me in the near future. I think that this is a pretty complex issue. It may be necessary to step back from this bill rather than try and

amend it and fix it at the last minute. This is an important issue to Manitobans, who have this emotional attachment to railways.

This is a big issue in small communities who have seen much of what used to be there gone. Most towns who are celebrating centennials and homecomings talk about what used to be. They used to have a school, and sometimes that school is still there, but in other cases it has been amalgamated into a larger school division. They used to have a number of lawyers.

\* (10:20)

I know my in-laws are from the Kelwood district. They talk about all of the services that were once there. Now there is no school, there are no lawyers, there are no doctors, there are very, very limited services. You know, people get emotionally attached to those. I think if we are going to preserve rail lines into some of these communities, then we have to have legislation that makes it possible for people to get into the business, to invest in a shortline. But they also need the comfort that if things change dramatically that they need a way to get out. I think this bill is going to make people really very shy about putting an investment into a shortline. They may be prepared to risk their resources under the existing legislation, but this new legislation, I think they are going to say, yes, we would like to do it, but the risk is too great, we do not think that we can salvage our investment. We think that this will undermine our investment and make it very, very difficult for us.

So I would say to the Minister that perhaps rather than just amending it, and I readily admit I have not seen his amendments yet, maybe it would be time to step back from this bill and do a major consultation with the stakeholders out there. I think members of AMM would be very interested in getting into a dialogue on this legislation. They represent the municipal level of government in our province. They are arguably the closest to the people and understand this issue better than most of us.

Maybe the Minister would like to contemplate some sort of a task force to look at the existing rail line shortlines to see what it is that is their core business, see what they are hauling,

get an understanding of whether there is growth there and identify other shortlines with a partnership with communities that would help the Minister to understand which ones are going to be viable, which ones probably should be abandoned, and put in place a process that is not going to drive investors away from the table, because right now what the shortline owners are saying and what the mainline owners are saying is: We will never create another shortline in this province under this legislation.

That would be, I think, very serious, because there are people out there who are prepared to take the risk, there are people out there with experience, with resources and with the interest in this, but this bill, according to those in the industry, would simply drive everybody away. There is also a concern on the part of the existing shortlines who have put an investment into those rail lines. I mean, they are not doing this purely because of their emotional attachment to railways. There has to be a profit made, and they have to be able to create jobs. They have to be able to move traffic, but they have to be able to make a profit to pay employees and also to upgrade.

So I think what has been missing here is that dialogue not only with municipal councils, a dialogue with the public, and there are members of the public who are very emotional about this. They want to create heritage lines, because they see this as a part of their history, and there is a place for them, too. But you cannot, I think, prevent the decommissioning of certain lines that clearly can be seen to be not profitable, lines that are going to sit there, and the only value left in them is salvage value. If you undermine that salvage value on the basis of this bill, that is going to expropriate the investment that people have in their property.

I think the Minister has been getting considerable feedback on both sides of the issue, feedback from people who have that emotional attachment who see that as part of their heritage. It is a sad thing when those rails are ripped up and those elevators are taken down. Certainly, I saw it on the Rosburn subdivision. I watched some of those elevators being built in the 1950s. My dad worked for the railway, and I remember arguing and debating at university when others

were saying, you know, the railways are going to go. This is back in the 1960s, and I could not see that. I thought they would there for the long term. But they are disappearing, and people do have that emotional attachment.

But the final decision on this has to be made by the people who are prepared to put the investment in, and this legislation is going to drive those investors away. This legislation is not going to create any more shortlines. In fact, people will abandon using those rail lines without being able to get the salvage value of it as they can today.

So, again, I know that the Minister is rethinking this. I would hope that members of his caucus show some interest in this legislation and understand it, that they go back home and talk to their constituents. It is a very delicate thing to try and, on the one hand preserve our history, preserve our heritage, and on the other hand realize that there has to be some profit making in the development of shortline railroads. This bill, I think, is an impediment. It is a government intrusion into the private sector, perhaps for noble reasons, perhaps for reasons of nostalgia, for reasons of history, for reasons that communities want to preserve that heritage. But I can tell you, you can only preserve so much heritage unless this government is prepared to put tremendous resources of their own into this.

One of the aspects of this bill is that these rail lines that are up for abandonment, perhaps, should be offered to government. I guess, I was not here during previous NDP governments, but it would bother me if they started to get into the rail business. This bill sort of suggests that that may be a possibility, and that would be a terrible, terrible mistake.

So, Mr. Speaker, I know there are others that want to speak on this, but I would ask the Minister while he is in that mode to make amendments that maybe step back from the bill, and maybe a task force involving community groups and R.M.s, maybe an all-party committee. Get the stakeholders together. Because I think you have to protect the investment that shortline operators have already put into shortlines, that it would be patently unfair for you to pass legislation which undermines the

investment. If a shortline becomes unprofitable over a long term and there is no hope of salvaging the business, this legislation in some ways would force them to stay in business and continue to lose money. That simply cannot happen. I mean, the public is not going to accept that sort of unfair solution.

So I would ask him to look at a sense of fairness, fairness to people who have put their money on the line, who have risked their resources, who have done, I think, our communities and our province a great service by trying to maintain and protect those rail lines. This is unfair, if their investment is expropriated or undermined. One of the solutions would be to grandfather those existing shortlines so that their investment could be maintained. This is not unknown in government. When you change the rules, when you change the playing field, you grandfather existing shortlines so that they can continue to operate under the rules and regulations that existed when they got into the business.

\*(10:30)

I think that is acceptable to the public no matter what government wants to do. I think the public understands that sense of fairness. I would urge the Minister to look at a grandfather clause, to be able to preserve the investment of the Southern Manitoba Railway and the Cando operation so that they will be able to continue operating under the same rules that were in place when they got into the business. There is a way to protect their investment. There is a way to give a sense of fairness, and governments are judged on those things.

Governments are judged over a longer period of time, a longer time as they make decisions and people will look to government always for a sense of fairness, for a sense of how you treat people, how you treat businesses. Grandfathering the two companies which presently exist seems to be a fair way of doing it. If you change the rules and other people want to invest and get into this business, then they know what the ground rules are and they will walk into this with their eyes open. But what I am hearing from the industry is, there will not be another shortline created at the provincial or probably at

the federal level in this province if you pass this legislation the way it is. That would be unfortunate, because you would be undermining those communities, those heritage groups, those people out there that would like to take a risk, that would like to take a chance to create a shortline and invest in Manitoba. I think it is very important that the Minister take a look at that. Again, I would ask that he would maybe step back from the process and in his own words in Hansard, take a sober second look at this rail-line abandonment, this creation of shortlines and be fair to all sides.

Ultimately you are going to have people on both sides of this argument and there will be some who want to abandon lines, who want to salvage it, and for many Manitobans. For many people in this Chamber perhaps, there has not been an awareness that there is tremendous salvage value in those rail lines from the steel, from the ties, and from the aggregate which is in the base. It is not a pretty sight when you see this happen, but there is a salvage value there.

The Minister has also commented a number of times and used the line "moving from rails to trails," and, in fact, some of that has already happened. A lot of the Canada Trail that exists that was recently opened that many of us participated in in this province was abandoned rail lines. There is a certain interest in having hiking trails, Ski-Doo trails, this Canada Trail, which probably is replicating what railroads did back in the 1880s, binding this country together. But I can tell you that there are many, many more rail lines out there than trails that we need. We already have existing trails in our provincial parks and in our national parks, within our municipal jurisdictions, and certainly I am a supporter of trails, but there are more rail lines out there than trails to be built. So, again, the Minister might want to re-think that thought.

I say to him, in conclusion, that he should give communities an opportunity to maybe discuss this. We think sometimes that because we bring legislation forth in this public venue, that all Manitobans are aware of this initiative. There are many Manitobans who are not aware of it who have a vested interest. Certainly the rail lines have and they will be speaking at committee. The shortlines will be there. I believe



the mainline carriers will be there to voice their concerns and objections, but there are also many other Manitobans, I think, who would like to be part of this discussion going back to the fact that they have an emotional attachment here.

But at the end of the day, they will understand that some of these lines will have to be abandoned, will have to be salvaged, and you cannot put a process in place through this legislation which is going to deny the owners of those lines from discontinuing them and getting the salvage value out of it.

So, again, I think, Mr. Speaker, there are many Manitobans who would still like to have a say on this. Here we are in the middle of summer debating this legislation, and it will be going to committee in the next few weeks at a time when many Winnipeggers and many other Manitobans are at the lake, and I think they want to have a say on this. So I would urge the Minister to perhaps take that step back, have another look at this and see if there is not another way to do it.

We want to see shortlines developed. They were developed under our government. They were developed and encouraged to be successful. They knew what the guidelines were. They knew what the rules were at that time, and I think changing them at this time would be a terrible mistake and one that government may live to regret.

So I know the Minister is quite interested in this, and I would urge him to heed these comments. Thank you very much, Mr. Speaker.

**Mr. Mervin Tweed (Turtle Mountain):** Mr. Speaker, I find it quite interesting to listen to the Member for Minnedosa (Mr. Gilleshammer) when he talks about the nostalgia of the rail lines. I can remember growing up in a small community in southwestern Manitoba, and as a young person groups of us would get together and we would walk the rail lines, and I think at that time it was more that we were afraid if we got too far from home, at least we could follow the rail-line tracks back to our communities and find our way home.

It is an interesting bill that is being brought forward, and I think what is happening is that the

Minister in his attempt to do the right thing has perhaps fallen short a little bit in some of the consultation process that he has undertaken, and, as the Member for Minnedosa has stated earlier, this type of legislation impacts so many communities, so many individual communities in rural Manitoba, that I think it is important that we go out and talk to those people and to those communities to find out their real motivation for some of the things that they are trying to do and how we can make it better for the people who are interested in the shortlines.

Having lived in the rural southwest, certainly very involved in the Lyleton line, which ran from Waskada to Lyleton, Manitoba, I know the communities out there fought for and tried to preserve the rail lines through every method they possibly could. They negotiated with the federal government at that particular time. They negotiated with the provincial government and they negotiated with the local governments to try and preserve the lines.

I think what is being lost in a lot of the discussion about the abandonment of rail lines is: Why are these lines closing at all? We are building huge grain terminals throughout Manitoba, because the grain handlers want to have a large handle and they want to fill several rail cars at a given time as opposed to the old system where each community would get a drop of four, six, eight, ten, fifteen, perhaps a few more cars. They are now congesting them all into one area. I mean, if that is the choice of the business and the direction that it is going, what we have to do is try and put in place measures and means in which companies that are looking at these shortlines have an opportunity to succeed.

I often think of the examples, and I know that it is coming forward in another bill in this Legislature, where when a company takes over a shortline railway he is going to have to assume the union that goes with it. I would suggest to members opposite that it was the unions that actually drove the costs in this particular case to make it impossible for rail-line companies to make money. They could not get their efficiencies in order to become profitable. Therefore the national company said, well, we can no longer make this line viable. What we

want to do is offer it to the public, to the shortline rail, to the municipalities, to a local interest group or whomever.

\* (10:40)

Unfortunately that conflicts with what the local communities are trying to do. They are trying to save their rail lines and they are trying to preserve not just a way of life but a way of moving their product to the market. It is a product that I would suggest, Mr. Speaker, that perhaps no one else in the world does better than the Manitoba producer in producing the volumes of grains that they do. The need is obviously there. We have not seen a reduction in the number of rail cars. All we have seen is a reduction in the number of terminals that are going to carry it.

The legislation that is proposed, again, I think it was proposed with good intentions. My only concern is if we are trying to encourage shortline rail companies to take up these lines, we cannot put impediments upon them that make it impossible for them to do business. If we are doing that then we might as well by-pass the shortline system and go directly to the salvage of the rail lines themselves.

I think of an instance, as being in the former government, where a group of people came to us looking to connect some business opportunities through the U.S. up into Manitoba. It was discovered that years ago a gentleman in North Dakota started building a rail line that was going to connect the Burlington rail out of Rolla, North Dakota, with a line directly north straight through actually to Churchill. Unfortunately, due to circumstances, I presume a lot of them having to do with the economy of the time, this railroad line did not get completed.

In our discussions with the proponents that were looking to make this connection, we did go out and find the rail bed. I am told by people who looked at it that the rail bed was sufficient to what they were trying to transport today. Unfortunately, the lines had been torn up and the opportunity was missed to connect our Manitoba producers not only with the U.S. market, which is a huge market, but also with the Mexican market, which is a direct line and a direct

connection from Rolla through the Burlington Northern. It could connect and create tremendous trade opportunities for the people in the province of Manitoba.

What has happened is that the national companies have said they can no longer be viable on these rail lines, so let us see what we can do with it. Let us offer it to the public and see what they can do with it. We have two shortline rail companies in the province, the southern Manitoba rail and Cando who are attempting to do just that.

At the time they made the deal to do just that, to offer these services to the communities, the national companies were no longer interested in serving. One of the parts of the bargain was that there was a salvage value agreed upon by the seller and the buyer, the buyer being in business and wanting to continue to operate and expand and offer good service and offer employment and offer jobs to the people in the communities and in the areas and in the province of Manitoba.

The legislation that is being proposed suggests that municipalities have the right or may have the right through their own setting up of legislation or regulations within the municipality, would restrict their ability to always have the scrap value of the rail line there as a backup clause should they run into some financial difficulty or should they find out that it was not viable. If they do that, Mr. Speaker, the company should be protected and should have the ability to at least realize the scrap value from this particular product and be able to look further for other opportunities or make decisions within their company that best suit their needs.

To offer them something for sale and say included in this value is the value of the scrap material, and then to have new legislation come in after the fact, and say, well, yes, that was maybe the way it was set up at the time, but what we are trying to introduce is something that is going to devalue that scrap based on the local government's ability to introduce heritage legislation or other types of legislation that would impede their ability to continue as a business operation.

I think the Member for Minnedosa (Mr. Gilleshammer) quite clearly explained the fact that R.M.s are not trying to punish shortline rail companies with their thinking, that if we make it a heritage destination or site, then the shortline companies would not be able to scrap it. The local governments are doing that type of legislation and discussing those types of issues, because they are trying to save the rail line in their communities.

Many, I think, in this legislature come from small communities. There was always a time or a place when you heard the rail go through your community, it gave you a signal that the community was viable and active and still ongoing. When the cars came into town, the trucks lined up for miles and miles to haul the grain into the elevators. The train would pick it up and carry it away, but during that period, Mr. Speaker, the activity within the community, the economy that was created by doing that was just something that these communities, these municipalities are trying to protect.

I cannot say that I disagree with their attempts to try and protect the ability of the people in their constituencies and in their communities to access transportation to move a product that they produce. They have done this in an attempt not to, I do not believe anyway, infringe upon the shortline railways but to send a clear message to the national line railways that you just cannot shut these things down without some discussion in the communities, without some discussion with the producers and without some discussion from the grain companies that are building on these tracks. They are not doing it to impede.

I have met with organizations and groups in my communities and farmers and producers that have met with shortline rail companies, and the last thing they want to do is put in an impediment to having a shortline company come in with an opportunity to run a successful railroad. That is what we all want. That is what we are all looking for, and I believe the Minister, in his attempt, is trying to do that, too. But I think based on the feedback that we have had—and I understand there is some suggestion that he is looking at some amendments that may address this, but it is certainly the issues that we are

hearing in my communities particularly and, I would suggest, in most of the communities in rural Manitoba.

The opportunity must be given to the shortline rail companies to move in, be successful, but the opportunity must also be there that if that realization does not come true, that the scrap value is at least—if that is what they are paying for and that is the value that is put on the line—is based on scrap value, then the shortline companies should have the ability to realize that return on their investment. I do not even suggest that it would be a return on the investment but merely an equalization of their investment, and when they do buy it, that is what the numbers are based on.

I think what we have is a conflict that is created, but everybody is doing it for the right reasons. It is just that they have not got together and sat down and said how can we make this work, how can we satisfy your needs, how can we satisfy the shortline rail needs without imposing something on the shortline rail companies that they cannot live with. If they do not take the opportunity and we do not give them the opportunity, then the obvious answer is the rail lines will be torn up and gone forever.

\* (10:50)

As I stated earlier in my opening comments, I believe that the rail line is important to communities all across Manitoba and all across Canada, and I think that we understand the stress and pressure that the Minister of transportation is under. When you take the transportation of grain and move it off of rail lines and on to our highway system, all it does is impact our highway system. It is a huge expense. We know that it is not going to get any less. We know that the costs of going into our highway infrastructure are only going to go up. Better roads are going to have to be built and maintained. I think giving the shortline rails the opportunity to be successful is the best thing that we could do for the people of Manitoba and particularly for the producers of Manitoba who are merely looking for a way to ship their grain in the most economical fashion that is possible.

I know that the shortlines that we have met with, and I am sure the Minister has met with,

are concerned. When you go into a deal, you make the deal on good faith and you make the deals on the values that are presented at the time. When you change the rules of the game, it impacts the deal that was made at the time, and what they are suggesting to us is perhaps a grandfather clause so that they could be protected of the residual values.

But I am not even sure that that is the way we want to go, because what we are still going to do is hinder the ability of them and discourage them from making that investment to give it a try. I am experiencing right now shortline rails between communities that are being told that they no longer provide the services necessary according to the nationals, and the nationals want to move away from it. The communities are searching for that shortline company to take over that job.

I would suggest to you, Mr. Speaker, that the producers in rural Manitoba are anxious to haul the grain to an elevator and have it go out by rail car. They do not want to go into the investment of the huge trucks, the huge tractor trailers that they have to pull down the road. As everyone I think in the House recognizes, it is not a great time to be in the agricultural industry. With depressed world prices, it is certainly more difficult, and farmers and producers are looking for more efficiencies and better ways to do things. I think that offering them the opportunity to make a shortline successful—and I think that is one thing that cannot be overlooked, is the fact that rural Manitobans are loyal to people who provide services to them.

I would suggest to you that they would use the shortline rails. They would try and make it as advantageous to the shortline to be successful because in the long term, if the shortlines are successful, win and continue to provide the services, then the producers win, the rural communities win, and I think that we can all see a positive thing at the end of the day.

Again, I understand, not having seen any of the amendments, I might suggest that this is something that is going to impact communities for a long, long time. I am concerned about tearing up rail lines. I am not sure that that is the answer. In my own mind, I still believe that

eventually we will go back to that way of hauling our goods and services out of the raw materials that we produce. We may not do it with as many lines, but I still think that is going to be something we are going to be looking back in the past and say: Perhaps we should not have done that; perhaps we should not have torn up that rail line as quickly as we did.

I think that is what R.M.s are trying to say with their heritage designations is today it may not be efficient and today we may not be able to find a shortline rail company to take it over, but let us give it a little bit of time. Let us not be too hasty with this.

The one thing I have learned is that once you take something away, it very seldom ever comes back to you. The rail lines were put in as a tool to connect people across Canada, all of Canada, to move goods and services from Canada to east and west coasts and also throughout the world.

There was a lot of sweat equity. There were a lot of contributions from the municipalities and the communities at that time because that was the way you got the rail lines to your communities. I can think in my area alone whole towns moved to locate beside the railroads. Why did they do that? Because they saw that as their opportunity for their community to grow and prosper. Because I believe with rail lines at that particular time and I believe today, they create a lot of the economic opportunities that our producers have.

As a small businessman in a small community, as I said earlier, it was great to see 30, 40, 50 trucks lined up going into the elevator, the rail car sitting on the track, because we knew before the end of the day, if they just stopped in for a visit and a few kind words, we got a chance to see them and to talk to them. Again, it strengthened our community in a way that I think has been lost in today's world.

So with those few words, again, I think what the Minister is trying to do is a noble cause, but I would just ask him to maybe rethink his position or perhaps go back to the stakeholder groups. I do not think we are trying to beat the government up on this issue. What we are tying

to do is come forward with the right resolution that satisfies everybody. I would be happy if we could come up with something that we could all support in this House because if it is done for the right purposes and the right reasons, people are happy. People see that governments are trying their best to continue to offer these opportunities to communities. Then, you cannot be blamed if you have tried and failed. The only time they will blame you is if you do not try.

I think if the Minister would perhaps want to rethink it, we would support that, or if he wants to presents some amendments and we can get some agreement. But there is so much at stake here and it is not just today. It is the future. It is the opportunity that will be lost if shortline rails are denied the opportunity to go out there and present themselves and succeed. We all want them to succeed, and we all want the communities to thrive and do well.

So, with that, again, I just suggest to the Minister, perhaps the process can be slowed a little bit to make sure that all sides are covered and make sure that everybody is satisfied. Again, I understand that it is difficult to please everybody, but I think, in the attempt to go out and meet with people and discuss what might be best for their communities, it seems like, in my life, that has always been the best way to do things.

With that, I will turn it over. I know there are several other people who want to speak today. I appreciate the opportunity.

\* (11:00)

**Hon. Jon Gerrard (River Heights):** Mr. Speaker, the goal of government action in respect to railways should be to enhance the ability of railways to contribute to Manitoba, to the quality of life, and to the economy of our province. Clearly the goal should not be to detract from the ability of railways to contribute or participate. The goal should be, in the current environment, to optimize the potential for the development of shortline as well as the mainline railways in this province.

Manitoba historically has been a major centre for railways. It is important that we have and continue to work on a vision in which

Manitoba and Winnipeg are a major transportation hub, a major part not only of the east-west transportation but north-south and a Mid-Continent Trade Corridor. It is within this context that I await with very considerable interest the presentations by various representatives, both from the railways and from citizens, as to how we can optimize this with respect to the current bill.

I see that, as the Bill is currently positioned, there is potential for considerable problems in a suboptimal kind of direction. I think it needs some careful consideration. Let us, at committee stage, listen carefully to what is said and build a strong and optimum situation for the railways rather than getting into a circumstance where we will inhibit the development of railways in this province.

I think it is worthy of note that while the position perhaps of railways is seen to be in decline with respect to truck transportation, there may be some developments underway in the future which position the railways in a better position with respect to trucks. As an example, the rising price of fossil fuels generally may create a circumstance where railways can do things cheaper than trucks over shorter distances than is currently possible. The ability, not only in Manitoba but globally, as we know, to address issues like greenhouse gases and global warming, railways in many circumstances may be better positioned to transport large amounts of goods with lower expenditure and cost in the production of greenhouse gases. These are all things we should take into account as we make sure that we position Manitoba as a good place for railways and the development of railways. Thank you.

**Mr. Jack Penner (Emerson):** I would like to put a few comments on the record regarding transportation and shortline railways and really some of the decisions that have been made over the last while reflecting why we are even dealing with the issue of legislation regarding shortline railways. I think it is important that we reflect some of the reasons. When one looks at the results of decisions that have been made by the federal government over the last five-six years, one must really wonder where we are heading with this whole issue of grain production and the

changes that are being driven by one decision that was made by a government that I do not think truly understood the impact of the decision they were making.

When one looks at the pictures in local newspapers, almost in every issue, inevitably you see a picture like this. This is a picture from last week's *Southeast Journal*. It portrays the elevator at Dominion City being imploded, coming down, you know, almost an historic site in the town of Dominion City. The town of Dominion City will no longer have a grain-delivery facility in the town. Fredensthal elevator is gone. It was done away with a couple of years ago.

The elevators of Gretna, the elevators of Altona, the elevators at Rosenfeld, the elevators at St. Jean, the elevators at Letellier will all be gone within the next year or two. We have already been told that, so what does that mean? Every one of these plants had a minimum of three employees, some of them five, some of them seven. That is what it means. There will be five less jobs on average in every one of these communities that depended on the railways to provide transportation for grain.

The grain companies, of course, have been told many years ago by the railways that they intended to rationalize the system. Yet the true rationalization only truly began when the federal government decided to do away with the Crow benefit. The elimination of the Crow benefit was—

**An Honourable Member:** Which you supported, Jack.

**Mr. Jack Pennner:** The Minister of Agriculture (Ms. Wowchuk) constantly reminds me that I supported it. I am absolutely in agreement with her that I did support the elimination of the Crow. But as far back as 18 years ago, I warned the then federal government not to act without doing an overview of the total impact of doing away with a program that had been there since virtually grain production began in western Canada.

The equalization factor of what the Crow benefit did was something that virtually all other

programs depended upon. You can go to the grain production industry in western Canada, we knew that if you produced wheat in Alberta or Saskatchewan or Manitoba, your rates of getting that grain to export position were the same. So when you did other programs such as supply management and cost of products, you knew that your cost of productions in western Canada, at least and indeed Ontario, was relevant to what the transportation costs were. The cost of getting a commodity to port, whether it at Baie-Comeau, Québec, or at Vancouver, B.C., was the same.

It applied virtually to Ontario, because Ontario was in large part covered by the feed freight assistance act, which will also disappear, and the Maritimes indeed were provided with a program called the At and East program, which is a \$40-million program to encourage feed grains out of western Canada to move into the Maritimes. It was done in large part to face the competitiveness of American corn coming into Ontario, Quebec and the Maritimes. So all these transportation programs were put in place to allow for an equal costing of feed grains based on American corn in all of Canada.

I truly believe that the politicians, when they made the changes and decided to remove the Crow without taking any action on anything else, and to remove the At and East program and to remove the feed freight assistance act without consideration what that would truly mean, was a huge mistake. It was a huge mistake. The removal of the Crow and then underpinning it with other programs to help us build highways in western Canada and indeed this province was an absolute must. Yet, the Liberals in Ottawa thought that they could do this without paying any attention to this. Now, today we face the situation.

The Minister of transportation in this province faces a huge dilemma. He has a large lobby from northern Manitoba saying we want roads, and you cannot blame them. Their communities deserve good transportation routes the same as every other community does.

He has a problem that he faces today with the agricultural communities in Manitoba from The Pas south to Waskada and from Waskada all the way east to Sprague in ensuring that there

will be transportation routes capable of carrying loads that will make it commercially viable to bring agricultural commodities to market.

How do you do that? The federal government must come to the table. The federal government must come to the table and ensure that the farm communities can bring their commodities to market in a reasonably costed fashion. The transportation routes that the transportation minister must designate as transportable routes need to be able to have the capacity to carry the loads. Without that, our agricultural industry faces a severe dilemma. They can raise the product but they cannot get it to market, and if they cannot get it to market at a time when markets are based on a competitiveness, when they cannot target those markets when the prices are to the benefit of the producer, then, of course, everybody loses. The economy of Manitoba loses. The economy of Manitoba is still largely agrarian-based.

So the decision had a huge impact. One little decision that the federal government made had a huge impact way beyond the farm gate, way beyond a community's ability to deal with it and way beyond the elevator companies, I believe, financially, to carry the burden. In the final analysis, all these new concrete structures that we are seeing going up now—and there is a brand new one going up in between Winkler and Morden. The one at Letellier has just been completed a few years ago, and all the other ones. You know, I showed this picture a little while ago of the Dominion City elevator coming down. Well, there will be eight elevators in my constituency alone that will no longer be there over the next year, maybe two.

\* (11:10)

It is time we realized that there is another sector of our agricultural community that will suffer greatly because of it. It is indeed, I believe, already feeling the effects of it, and that is supply management. Our poultry sector, our egg business, our dairy business, all of these will be dramatically affected by the lower cost of feed production, because pressures will be brought to bear to have a larger production base move to Manitoba, based on cost.

Secondly, Mr. Speaker, I believe that the cost-based formula will eventually supersede the population-based formula that is now being demanded by Ontario and Québec. I find it interesting that Ontario and Québec have been able to convince the National Egg Marketing Council to overrule Manitoba's position that it had before and not allow a greater degree of expansion in the industrial egg business and production.

I, quite frankly, think that this is just the start of that debate. It was caused in large part by the decision to do away with the Crow. That needed to have been dealt with before the decision was made. So what happens then? If there is total disagreement on the allocation of quotas and supply management, what happens to supply management?

It will not be, as the Minister of Agriculture (Ms. Wowchuk) has accused me on a number of occasions, supporting the American position on free trade. I have been a strong supporter of free trade and the Free Trade Agreement, and will be, but it will not be the Americans that will put pressures on our supply management system. That is another statement I have always made. Some people misunderstood that, saying, Jack, you are against supply management.

I am probably one of the best supporters of supply management in this province, because I know that John Deere Inc. are in supply management. They are darn good supply managers. If they cannot sell; they will not build. Why should they produce, if they cannot sell it? Why should Case IH build a combine, if they cannot sell it? That is silly. Why should farmers produce something they cannot sell? Why should they overproduce constantly, when there is no market for it?

It is time that we look hard at supply management in other sectors. I will tell you that currently the supply management sector, the supply management commodities are under severe pressure. The thing that is driving it is because some of the provinces are basing their programs on population, when it should truly be based on cost of production. The consumer has a right to ask for a supply-management-based quota system based on cost of production.

Manitoba, Mr. Speaker, would be the biggest benefactor if we did that. We could have a dramatic expansion not only of industrial ag processing, but indeed processing of dairy products and the expansion of many other products that could go under similar supply managed systems.

What does this lead to? We have had a number of companies come into Manitoba and say, look, instead of ripping up these branch lines that the CN and CPR are so ruthlessly abandoning, give us an opportunity to buy these lines. A small company by the name of Southern Manitoba Railway was established and bought the Morris to Hartney line and is running on that line now.

The other line that I think has some significance in northern Manitoba is very significant and proving that it can be viable when the railways used to argue that you could not viably ship grain to Churchill. Well, everybody knew there are all the studies that had been done that indicated Churchill was actually the cheapest port for Manitoba other than Minneapolis to ship grain to out of Manitoba, and that has been proven now.

OmniTRAX, which bought the northern line a number of years ago and is now running the port facility of Churchill, clearly demonstrated that there is viability there. I think they are bringing ships in earlier, and they are shipping later than the previous operators ever did. I think it has just demonstrated that there is a new world out there, and there is a new business mentality out there that can make things happen if we put in place the right mechanism and the right legislation.

I say to the Minister that the legislation he is putting forward needs some serious reconsideration because it will cause an impediment, I believe, to their current shortline operators and maybe even future possible shortline operators to operate in the province. I think the Minister would serve well if he would set aside the legislation and allow for some significant debate on the legislation before we proceed with enacting something that we will be sorry for later that will cause severe problems for some of the shortline operators currently in the province.

A group of us met a couple of weeks ago with SMR, and they indicated clearly to us what some of their concerns were with the current legislation. I believe it is no criticism to the Minister, no criticism to the department. I think everybody had the best intentions at heart when the legislation was drafted, but we find now that if it was drafted in the manner currently proposed that some of the operators are saying it would virtually shut them down. I think that is fair ball.

I think the significance of allowing for broader-based discussions on any legislation—including the amendments to The Wildlife Act, as we experienced yesterday with some 20 presenters last night at a committee who clearly indicated that The Wildlife Act also had some significant flaws, and we needed to take a good hard second look at it. We recommended to the Minister last night to also put that piece of legislation on hold for a while. I think it would serve well. You know, having been a minister before and having been in government for a long time, one recognizes the significance of public input.

We certainly heard from many people last night that were not involved in penned hunting of how badly this legislation would affect their ability to remain in the business of raising bison, elk and fallow deer and wild boar and all those kinds of things.

I heard some very interesting comments on that, which I will put on the record at another day, but it just demonstrates the absolute importance of public input. I am always amazed that Manitoba is the only jurisdiction in Canada that allows for public input at committee stage. I think we should guard very jealously that process because it does help. It does help the Minister, it does help the Opposition, to recognize the pitfalls in legislation when the public comes and says: Well, this is how it is going to affect us.

Similarly, this legislation, I think, is again demonstrating where the pitfalls are, and it gives the Minister an opportunity to view, take a look at those pitfalls and make remedy before we enact legislation. So we are just encouraging the Minister of transportation to take a hard look at



some of the things that he has heard and make those remedies and then proceed with enacting a piece of legislation that can actually function well.

\* (11:20)

I want to briefly refer to one other aspect of the transportation bill and how it could affect many of the communities that are now served by shortline railways. I just told the Assembly here that we will lose in my constituency alone somewhere in the neighbourhood of seven or eight elevators and the 20 to 40 jobs that are involved in destruction of those facilities in those small communities. But the actual losses caused by the lack of the transportation, the transfer of the transportation, routing of the grain industry moving that way will not only close the elevator, but in many cases it will also close the grocery store. It will probably also close the post office. It will also probably close clinics and other community services because farmers will stop going to that community.

They will revert their transportation loading to communities that offer the grain delivery service and will automatically go for their mail over there. They will also automatically pick up their groceries there, their medical services and everything else that goes with it. That is the detrimental side of allowing the closure of these rail lines and these elevators.

I noted that in Gretna, for instance, the elevator closed a couple of years ago and the rail line last year was lifted to Gretna. It has now become part of the Trans-Canada Trail Network. Well, Mr. Speaker, the Trans-Canada Trail Network will not serve as a transportation route for grain. It will not serve as a transportation route for grocery shopping, and it will not serve as a transportation route for mail pickup.

The Co-op Store, which had been in existence in the community of Gretna for half a decade, closed last year. They closed because people were voting with their feet. They were going the route of where the grain was going. They were going to the next town up, where grain deliveries still existed. So they were shopping as they were delivering grain.

I think the relationship between the two should not be underestimated. The importance of supplying on-road, on-ground transportation to those communities should not be underestimated.

I think therein lies the dilemma that the Minister of transportation in this province faces. Whether he likes it or not, the New Democratic Government will be lobbied hard to expend a huge amount of money more in transportation, building roads and bridges that will carry the load that the railways used to carry, than they did before. Those eight elevators probably handled in their entirety somewhere in the neighbourhood of 5 million to 10 million bushels of grain. That is a huge tonnage that will now be forced to travel across our highways.

If the minister or anybody else in this NDP Government thinks that they will not have to pick up the cost and they will not have to repair the roads of the additional weights carried across those roads and that they will not have to build bridges, all I am saying is, really reassess that position very seriously, because your Treasury will bear the brunt of the decision of the abandonment of the branch lines.

If we cause legislation to be put in place that will be an impediment to the development of shortlines in this province, then we will even cause further expenditures to be transferred to the Treasury of the Province of Manitoba in road construction and transportation costs and bridge construction.

I was visiting with three Highways repairmen the other day. They were on Highway 201, and they were working on the surface of the bridge between Letellier and Dominion City. That is the only route that the people east of the river have now to cross into a marketing zone for their grain. There was an empty gravel truck that ran across that bridge while we were standing there and talking. I said this bridge is going to fall into the river. And the Highways repair people said, you know, we are even afraid to work on this bridge while traffic is crossing. This guy said you should be on this bridge when a full load of gravel comes across here. He said you would almost bet that it will fall into the river. The Department of Highways has, for

many years, said that that bridge should be reconstructed, should be renewed.

Mr. Speaker, two years ago the then-Minister of Highways designated that bridge as an important transportation route and designated it for reconstruction. The engineering, in large part, I believe, is finished. The land acquisition is mostly done. All that remains now is for the Minister of Highways (Mr. Ashton) to allocate the funds to get the construction started. Highway 201 has traditionally been a basin-AST route, a PR route, with reduced traffic restrictions.

*Mr. Harry Schellenberg, Acting Speaker, in the Chair*

This, the elimination of all the grain handling on the east side of the river, will force those farmers to travel to the west side of the river to deliver their grain. That is the only way they can go, and the only route they are going to have is Highway 201. So the Minister of transportation is going to be faced with a situation where he is going to have to expend a large amount of money upgrading 201.

There is no question the previous administration had designated Highways 201 and 59 as top priorities to reconstruct to a higher weight-bearing capacity.

We, quite frankly, did a few test routes. The Minister of Highways (Mr. Ashton) should go take a look at this. But Highway 306 we did a project to see how, not a total reconstruction, but an overlay of six inches of asphalt would hold up under heavy traffic conditions. This was done in the mainly potato-producing areas where virtually all the potatoes travel down 306 out of southern Manitoba. And it is holding up extremely well. I would recommend strongly to the Minister of transportation that he look at that process to see whether he could, in fact, do a similar overlay on 201 and reconstruct the bridge on 201 to get us into a transportation mode that would allow farmers to haul their produce to market when they have to because of quota systems, other spring restrictions, and those kind of things.

So having put those comments on the record, I truly feel that the Minister would serve the agricultural community well, he would serve the transportation industry well, and indeed his own department well, by setting aside this legislation and allow proper debate on this very important issue to ensure that all aspects of the legislation be considered, that it will not be a detrimental piece of legislation in regard to allowing the development of our shortline system in this province.

\* (11:30)

**Mr. Edward Helwer (Gimli):** I just want to make a few comments on Bill 14 because it is a fairly important bill and will have a very important impact on my constituency especially and all of Manitoba. Mainly the reason why this bill would have a great impact on my part of the country, on the Interlake area, is first of all we have two CP branch lines. One goes to Selkirk and the other then to Gimli. This is a non-grain reliant line. It relies mostly on freight from Seagram distillery at Gimli, plus there is one grain elevator at Netley which is a small Agricore elevator that is slated to close sometime, I believe, this December or next year.

The other line that is very important to me is also the Arborg line, the one that runs up through Stonewall, Balmoral, Teulon, and Arborg. There are elevators in all those locations. Stonewall has a fairly new, fairly good and modern Agricore elevator. At Balmoral is located a Paterson elevator. This elevator at Balmoral is quite old. But Balmoral has been a pretty good point for Paterson as far as their grain-buying business is concerned. There are still quite a number of small farmers that like to haul their grain to the local elevator and to the smaller points. So there is a need for that type of elevator in the Balmoral area.

In Teulon, we have two elevators. One Paterson that is in fairly new, fairly good condition, was renovated not that many years ago, and also the Agricore elevator, which is a fairly large elevator and a very good point for Agricore. It does buy a lot of grain. It is also in fairly good condition. It was renovated not that many years ago. The annex and the bins there

are not that old actually. So it is a fairly good elevator.

But the main grain point up in the Interlake is at Arborg. There, Agricore has a big elevator plus Paterson, Agricore's, too, as a matter of fact, and Paterson also is one of their biggest points. Actually, Arborg was one of and still is the largest grain-handling points in Manitoba. Brandon was always the largest point. Arborg also was very close, and yet CP has applied now to abandon those lines, both the one up to Gimli and also the one up to Arborg.

The line going up to Gimli is very important because the fact Seagram ships some 600 cars of product that they make that goes down east to their bottling plant. If CP pulled out this line or whatever, it certainly would have an effect on Seagram, and I guess what CP has said up to now, that they would abandon the line from Selkirk up to Gimli. They would keep the line to Selkirk because of the steel mill there. It is a fairly busy line there; they do a lot of hauling for the steel mills there at Selkirk. I do not know what would happen to the elevator there at Selkirk, whether that one is slated to close or not, I have no idea, but it is a fairly good point there, at Selkirk.

But the line itself runs along Lake Winnipeg there and kind of through the Netley Marsh area, and, unfortunately, the line is not in very good shape through there and has a very slow speed limit on the rail. I think that is probably the worst section of the line, probably in the Petersfield area there and north of Petersfield, close to Netley where the line is not in that good a shape. Really, I think it is heavy steel. It would be an ideal situation for a small railway company to take over that line, a shortline railway company, to take over that line and to operate it. Probably you would not get much. Whether you could convince Agricore to keep that elevator at Netley or not is probably hard to say, but I think the main thing is the traffic to Seagram at Gimli. This is very important. Seagram has said they will not close their distillery there. It is their main flagship distillery in Canada. I do not think they have any intention of closing it because of the efficiency at which it operates. It is fairly new. It is about 30 years old, good supply, and it runs very efficiently.

They have also expanded in recent years there, but their main freight, they do bring in rye, corn. A lot of it comes in by truck, but there is a certain amount that does come in by rail. Their main shipping product is their tank cars of product that is loaded in Gimli and shipped to Ontario to their bottling plant. So it is important there that we try to maybe get a shortline railway coming to look into that and maybe buy that line, and I would think that is where this legislation probably comes in. I know there are some companies looking at this line, a company in Brandon and also, I guess, an American company looking at it as to whether it could be feasible to maintain this line.

I am not sure if it is necessary for the Motor Transport Board or the Province to have input into the fact of whether it should be economically viable. I think that is up to the shortline railway company. They are in business. They have to set their own standards. They know what they have to do to make this profitable, and if the line, in the case of the Selkirk-Gimli line, needs some repairs, as I believe it probably does, in some areas to get the speed limit up to maybe 30 or 40 miles an hour—I do not know what is allowed. I think it is down to about 15 or 20 miles an hour now. But I think it would make sense to try to help a branch line there to repair the line and to make it feasible because there is enough freight.

The freight that comes out of the Seagram there. I think something around 600 cars a year probably would be enough to make this feasible, and probably with the rail line there, it might help to maybe encourage a grain company maybe to buy that elevator at Netley and maybe operate it in some sense to try to take care of the local agricultural trade and buy some local grain and try to keep that open. That is very important. I would like to encourage the Minister of Highways and transportation (Mr. Ashton) to look at that bill that is before us very closely to make sure that that does not have a detrimental effect on some of the shortline railways that are trying to purchase some of these lines.

The other line that is very important to me up in the Interlake is, as I said, the line going up to Arborg. We have just spent, I forget the number of millions of dollars, up to Highway 7.

We made an RTAC road up to, I believe, it is up to Fraserwood now. The Department of Highways this year is going to upgrade the roads from 231 north up to Arborg to make it an RTAC route. What we are doing here is making it easier for truckers to haul grain by truck from, say, the Arborg area to the mainline terminals, whether it be Agricore or Paterson, which are built on the north side of Winnipeg here. Agricore is building a new one there that will be open some time this fall, I understand. Paterson has already completed theirs. They just had their opening here this past June. There is actually the infrastructure for the grain in place.

I still believe that a shortline railway company would look at that and could make that Arborg line a feasible line. I say that with good authority because back in 1974, I was at that time on council at Teulon and also as a director on the Interlake Development Corporation. At that particular time we had a branch line abandonment committee, and I happened to be chair of that committee. Our manager at that time was the late Eric Stefanson who was the MP for Selkirk prior to that, and we hired him as manager of the Interlake Development Corporation.

\* (11:40)

*Mr. Speaker in the Chair*

Eric, senior, did just an excellent job for us at the Interlake. Because of his connections with many people in the transportation business, because of his experience as an MP, he had a lot of contacts in the railways and in the transportation industry. So, Eric was a perfect candidate for the job and we hired Eric at that time—senior—to work for the Interlake Development Corporation and to put together the reasons why CP should maintain that line to Arborg.

As chair of that committee, we went through hearings in every community, Stonewall, Teulon, Arborg, and also we at the same time held hearings on the CN line that went up through Inwood and Fisher Branch. That line they did abandon and did not take our advice on that one. That one was more difficult to justify. The branch line to Arborg was easy to justify because the business was there. The infra-

structure was in place. The line was actually in good condition and there was the traffic. The fact that the elevator companies at that time, back in the '70s, were upgrading their elevators and waiting to hear what CP was going to do with that line, our job at that time was to convince CP and the Canadian transportation committee, I forget who the chairman of that committee was at that time, to maintain that line till the year 2000. We did justify that. That was our main objective, to justify keeping that line until the year 2000. We did that. We were successful in convincing both CP and the Canadian transportation committee that this line was important and that it was necessary.

So I think it was to the credit of the late Eric Stefanson at that time and the Interlake Development Corporation, and I was pleased to be a part of that committee and certainly learned a lot from the holding and the hearings and listening to all the presentations that were made at each hearing.

I can recall especially the ones in Teulon and Arborg were very well attended. They went on for days actually, and we spent a lot of time. Each Chamber of Commerce, each businessman, a lot of the individual businesses, the grain companies, all made presentations and all justified the maintaining of that branch line. So we were successful in keeping that line going, guaranteeing it until the year 2000. In that, CP did upgrade the line and put in 100-pound steel in all the lines so they could haul 100-tonne hopper cars all the way from Arborg to Winnipeg and then put together their trains and take them either to Thunder Bay or to the West Coast.

Having said that, we were successful in that. Now we are in the year 2000 and CP has again said they want to abandon that line. Now I attended a meeting last year in Arborg. The former MLA, Clif Evans, who was the MLA for the Interlake, was also there at that time, and we both agreed that the line from Arborg to Winnipeg because of the capacity and because of the fact it is in good condition and the fact there is the business there, there is the infrastructure for the elevators, would make an ideal situation for a small shortline company to take over, somebody such as the people from Brandon or it

could be other companies. I know that some of the shortline people have been looking at that also.

Getting back to this bill and why this bill is so important to us, we do not want to put any more restrictions on the branch lines or the shortline railway companies so that they can operate in a manner as a business. Now it is up to them to create their own traffic, and they will do that I am sure. If this is taken over by a shortline company, they can go to the elevator companies, such as Agricore elevator or Paterson, and make sure that they keep the infrastructure in place so that they can load rail cars and they can buy grain and do the business.

The number of rail cars or cars they need to make this a successful line or not, I do not know, but certainly it makes sense. It did in 1974 when we were arguing to keep this line until the year 2000. It did at that time, to keep the railway, because of the fact one diesel engine can pull probably 30 or 40 or 50 cars, where one truck with the same horsepower could only pull maybe one train with 120 000 or 140 000 pounds that they haul now with RTAC weights. So it certainly makes sense, in my mind anyway, to keep the branch lines open and to keep them feasible and to make it possible for the shortline companies to operate these rail lines.

The other thing is we spent millions of dollars on roads, and the federal government does not help the Province of Manitoba or any other province very much to fix the roads or to make them of a weight to bring them up to an RTAC standard to make the large semitrailers be able to use these roads. The federal government takes in how many millions of dollars in gas taxes in Manitoba and yet gives nothing back. That is unfortunate because, if we are to maintain these highways and to make sure that they are going to be able to meet the needs of the future, certainly the federal government should be a willing partner.

I know that they have come up with an infrastructure program of \$35 million or something like that to go to the provinces to help with the transportation. This is peanuts. It is nothing compared to what we need. In Manitoba we spend something like a hundred-million

dollars or a hundred and ten million dollars a year on the capital projects. That is not enough to make up for the deterioration of the roads. When we are allowing these heavy trucks and one thing and another on these roads, they are not made to carry the weights, and if we have to upgrade them, the bridges, the culverts and everything else to carry these weights, it costs a lot of money. If the federal government does not come to the table, it is going to be unfortunate. That is why it is so important that we try to maintain these branch lines because as I said, one of these little engines can pull a whole number of cars, and I do not know how many tonnes—*[interjection]*

The 120 cars at 100 tonnes each, that is 120 000 tonnes, where one truck—no, a million—how many tonnes is that? Yes, a million tonnes were pulled with one diesel engine or maybe even two diesel engines. That takes how many people? Two people to run these whereby you have a single truck running up and down that highway hauling about 40 tonnes, 43 or 44 tonnes. That takes one operator also, so just think of the efficiency of the railway.

So why can we not make these branch lines affordable, make them efficient enough so that they are—*[interjection]* Well, that is what we need. I am not sure if this bill does this though. But we do need the province and the federal government to come together with the railways and to make these—if CP and CN want to abandon them, that is fine. I think there is a need for a private company such as we have out in Brandon there, Gord Peters' company there, to let him take these shortlines over, operate them and haul the grain to Winnipeg for them. That would certainly make sense for me.

In our particular area, the Interlake, we have three main highways; as I said, 7, 8, and 9. We have spent just millions of dollars on these roads trying to maintain them and to make sure that they can carry the weights. Besides, the truck traffic on these highways, of course, is a lot of automotive traffic because of the fact, especially, Nos. 8 and 9, we have a large tourist area. The beach area right from Matlock right up to Riverton basically, right along the lake is an excellent tourist area. That creates a lot of traffic on Highways 8 and 9. Fortunately, we are

repairing Highway 9 and trying to get that completed and that will be done very soon, plus there will be a contract out on Highway 8, the paving on that. These are very important roads, and I am glad to see that we are finally doing that.

So I just want to add some comments on this bill. I appreciate the opportunity to add some comments. I did not get a chance to speak about all of the agricultural issues, how important agriculture is, and how important it is these branch lines are to agriculture. But I will leave that for possibly my colleague from Steinbach to talk about.

So, Mr. Speaker, I appreciate the opportunity, and those are my comments at this time.

\* (11:50)

**Mr. Jim Penner (Steinbach):** I would like to address and put some comments on the record as well in regards to Bill 14, the Provincial Railways Amendment Act. I have noted that after reading the bill, there are a considerable number of things that may not sit right with our constituents in various parts of the province. I have come to the conclusion that the bill needs more study and needs a significant amount of planning. The background to this bill is that on May 2, 2000, the Government introduced Bill 14, the Provincial Railways Amendment Act, which is intended to encourage investment, address community concerns on line abandonment, and prevent the removal of infrastructure without allowing an opportunity for its continued operation in the public interest. That sounds like a very supportive thing for people in smaller communities.

The proposed changes would do some of the following. They would remove the requirement that railway operators must prove the economic viability of a line as a licensing qualification. The Bill would also revise the process for the approval of rail-line abandonment. Also, the Bill would remove the condition that the Motor Transport Board can only issue a licence for a railway that is considered to be economically viable and prevents the issuing of a licence for unprofitable rail lines, even if there is a potential for profitability through increased traffic.

Mr. Speaker, the Bill would also revise the approval process for rail-line closure which under current legislation permits rail-line abandonment if the operator demonstrates to the Motor Transport Board that the railway is no longer economically viable or alternative transport is available. Also, the Bill would prevent abandonment and removal of a rail line if communities or other interested groups wish to purchase the line for continued freight payments.

What was the reaction to this bill? Here are some notes on the reaction. There are presently only two shortline railway operations in Manitoba, one being the Southern Manitoba Railway—we call that the SMR—and the other one is the OmniTRAX line that is run to Churchill. I was recently in Churchill, and I noted that the OmniTRAX line is a very important line to many citizens and residents along the way, as well, of course, to the community of Churchill and might be the lifeblood to the transportation system to the people in Churchill.

I think that the two lines could be more shortlines. I think that if there was to be a good arrangement for ongoing shortline legislation, that more and more communities could be served. Maybe these services could even be expanded. The shortline people have specific concerns, and some of them are as follows, that they will now be subjected to a different regulatory scheme upon discontinuance of service than the scheme in place when they originally purchased the rail line.

So, Mr. Speaker, it is very difficult if the person borrows money and invests that money in the interest of prosperity, in the interest of producing earnings which are to the benefit of jobs, which are to the benefit of employees—when a person invests money there are a set of rules, and this law does not permit those people to appeal, so the rules would be changed after the fact.

They are also very concerned that the determination of the net salvage value is not consistent with the process under the Canada Transportation Act, and, of course, they are very concerned that the discontinuance process is almost half a year longer in time during which a failing railway would be required to remain in

operation and subject to service as a common carrier.

SMR has met with members of caucus in order to discuss their concerns. They have also retained counsel and proposed the following amendments to the Bill. Amendment No. 1 would read something like this. It is in regard to section 33(3), and that is on page 3 of the Bill. SMR proposes that in order to exempt shortline railways from the application of the proposed discontinuance section in Bill 14, where those railways such as SMR now hold an operating licence, the following section needs to be added to 33.3, namely: The holder was licensed under The Provincial Railways Act prior to the coming into force of this act and obtains the approval of the Board, granted pursuant to section 33.7, 34 of The Provincial Railways Act as those sections existed prior to the coming into force of this act.

In other words, Mr. Speaker, I think what we are looking at here is an appeal by business, and a valid appeal, to grandfather the laws under which those businesses came into being. Any other behaviour would be to put people's energies and their businesses and their investment and the jobs of people at a serious risk.

The second amendment that SMR was proposing is in section 34.3 to 34.3(9), which are pages 7 and 8 of the Bill. SMR has indicated in their material to the caucus that whether or not the Government is prepared to accept the amendment proposed as section 33.3, the net salvage value determination for any railway line of a railway licence before or after the coming into force of Bill 14 must exclude the adverse effect on the railway's rail-line assets of laws enacted after the shortline railway secures an operating licence. If there is no such provision, according to SMR, the likelihood of sales of lines to provincial railways will substantially diminish and there will be no confidence in investors that their investment will not be threatened by railway assets and land control laws.

Furthermore, SMR has indicated that where the parties cannot agree on the net salvage value, its determination should be by the Canadian

Transportation Agency and in accordance with the principles and procedures employed by it instead of appraisal of arbitration as now proposed in Bill 14. Either one of the parties should be entitled to request that the agency determine the net salvage value.

Therefore they are recommending the following amendments to section 34.3(6) as follows: If the Government or a municipality accepts the offer but cannot agree with the licence holder on the net salvage value within 90 days after the acceptance, the determination of net salvage value based upon the provisions set forth in section 34.3 shall be referred to the Canadian Transportation Agency.

Furthermore section 34.3(7), and (8) and (9) should be deleted and—

#### Point of Order

**Hon. Gord Mackintosh (Government House Leader):** On a point of order, just a reminder to the Member, he may not be aware of this, but at the debate on second reading, it is a discussion of the principles of the Bill and not the specifics or the sections of the Bill. That is reserved to committee. The way that I know members have got around that is often just by deleting a reference to the specific section number, but the intention is to talk about the more general aspects of legislation. Thank you.

**Mr. Speaker:** On the point of order raised by the Honourable Government House Leader, he does have a point of order. Second reading is the principle of the Bill under consideration, which is debatable.

\* \* \*

**Mr. Speaker:** When this matter is again before the House, the Honourable Member for Steinbach (Mr. Jim Penner) will have 31 minutes remaining.

The hour being 12 noon, I am leaving the Chair with the understanding that the House will reconvene at 1:30 p.m.

**LEGISLATIVE ASSEMBLY OF MANITOBA**

**Thursday, July 20, 2000**

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