submit that the nation as a whole has to share in the cost of all modes of transportation. Canada is about the only country left in the world in which this does not happen. Even the United States now recognizes this to some degree. But in the rest of the world transportation costs are shared because it is an essential public service; it is something everyone has to use. Trying to implement a concept of user-pays is not only lunacy but—and I agree with the hon. member for Qu'Appelle-Moose Mountain here—it will also lead to more break-up in this country. It will lead to more disparity, unequal treatment and discrimination.

Let us remember that in the main, grain is produced in the three prairie provinces. It is produced far away from the people who buy most of it. It is produced far away from seaports and inland ports, and that puts our country at a disadvantage compared with the United States, Argentina or Australia where most of the grain production takes place near a sea coast or near an inland waterway. They have the benefits of much denser populations lower transportation costs and certainly shorter distances. However, even where they have the same or longer distances, those nations as a whole share those costs and they are not just laid on the backs of primary producers or processors of those primary products.

The "at and east" rates are described in the legislation and the purpose of the subsidy is to encourage continued use of the eastern ports of Halifax, Saint John, West Saint John, Montreal and any of the ports on the St. Lawrence River east of Montreal for the export of grain and flour. The subsidy applies to rail shipments only. It applies to shipments of grain from railway points along Georgian Bay—I hope hon. members who hold constituencies along Georgian Bay will have a chat with the Minister of Transport—along Lake Huron and east of Prescott but not including Prescott. That is, from those points to eastern port that I mentioned earlier. In the case, of flour, it applies to shipments from any point in Canada east of Thunder Bay to eastern points in the Atlantic provinces; flour from western Canada goes to Thunder Bay under the Crowsnest or statutory rates.

● (1240)

The legislation requires the Canadian Transport Commission from time to time to determine the level of rates compensatory to the railway companies. I do not mind if they do that, Mr. Speaker, provided they do not leave the cost of the compensatory rates on the grain producers and the milling industry. That cost should be shared by the whole country. If we are to compete in selling grain and flour, and if we are able to pay a good price that will ensure those sales, we have to share the cost of transport. This is necessary in a country with our kind of geography. The actual rates paid by shippers of grain and flour is based, in the case of bulk grain, on the rate which was in effect on November 30, 1960, and in the case of flour the rate in effect on September 30, 1966.

While there has been no public announcement of the government's intention in regard to the "at and east" rates in December, 1975, the then president of the Treasury Board suggested in the House that elimination of the subsidy was a possibility. The Canadian National Millers' Association asked the Minister of Transport for a statement of government intent and received a telegram from him dated January 13, 1976, in which he finally said that the government intends to abolish the "at and east" subsidy effective April 1, 1976. The bill says that repeal of section 272 is effective the day the bill passes. At least that would save the farmers and the millers some money for several months. The telegram continued:

> I would therefore suggest that your price in upcoming negotiations with Exportkleb for sale of flour make consideration for the inclusion of freight rates at compensatory levels.

It appears that abolition of the subsidy can be done only by amendment of the Railway Act, and the government has finally brought in this amendment. But what will be the effect of the removal of the subsidy, Mr. Speaker? On flour milled in western Canada, shipped to Thunder Bay at statutory rates and then on domestic rates to export ports on the lower St. Lawrence and Atlantic, if exported from Montreal the subsidy amounts to 39.15 cents per hundred pounds, and if exported from Halifax 69.35 cents per hundred pounds. On flour milled in Ontario and shipped from railway points along Georgian Bay, Lake Huron and Prescott, if exported from Montreal but milled in Bay ports the subsidy is 42.25 cents per hundred pounds; if milled in inland western Ontario, 52.65 cents per hundred pounds; if exported from Halifax but milled in the Bay ports, the subsidy is 71.15 cents per hundred pounds; and if milled in inland western Ontario and exported from Halifax, it is 81.55 cents per one hundred pounds. With respect to wheat shipped from Bay ports, Georgian Bay and Prescott, if exported from Montreal the subsidy is 35.58 cents per hundred pounds, and if exported from Halifax the subsidy is 51.75 cents per hundred pounds. The loss of these subsidies would make Canadian flour shipped during the winter from eastern ports to Russia, Caribbean area countries and others, noncompetitive with flour from United States. It would have a similar effect on grain which is shipped by rail from Thunder Bay or the Bay ports during the winter when navigation on the St. Lawrence Seaway is closed.

Let me quote now from a letter sent to the Minister of Transport on February 16 by the Canadian National Millers' Association, as follows:

> This policy change has come without warning to the flour milling industry and, it would appear, without careful analysis as to the impact this action will have on overseas flour/grain sales, employment and economic activity both in the milling industry and in the ports concerned, or on government revenues and expenditures. It is our view that a cost/benefit analysis will prove that the subsidy and the "hold down" are financially and socially sound and should be continued.
>
> In my communications with you prior to going to Moscow on January 15, I indicated we would likely experience difficulty in negotiations due to the potential new freight factor. The representatives of Exportkleb found it difficult to understand why Canada could not sell at a firm price for calendar year 1976. As anticipated, they absolutely refused to close the contract. So, while they have indicated a requirement for 375,000 tons of Canadian flour during 1976 they have insisted on new negotiations should we need to adjust the current prices for additional freight costs.
>
> The U.S.S.R. representatives stated that Canada is no longer competitive in world markets and that further price increases will require them to look for