

say they incur. I would like to deal with the last component first—the increase in costs which the railways claim.

The Minister said that the railways did not have very much of an increase in costs. We agree with that. Effectively, that means the increase in the rates was not very great, if any, attributable to the costs the railways say they will have this year over next year.

Volume should not be a factor because volume is down. When the crop year started on August 1, the estimate for the year was 32.8 million tonnes. It looks like the railways will move 34.55 million tonnes this year, but the estimate for the coming year, to which the rates apply and about which I am concerned, is less than the estimate for this year. The two factors I have mentioned, an increase in costs that the railways say they have, and an increase in volume, should not be part of the increase in the rates the Government has just announced.

The increases are substantial. They are 33 per cent. The average rate for shipping a bushel of grain from the western provinces to export position is something like \$7.70 a tonne. That is increased \$1.94 over the previous year, which means almost a 33 per cent increase. That tells me that the total, almost exclusively, reason for the increase in rates is the interim adjustment. The interim adjustment comes about as a result of the rate setting mechanism and the way it is established.

Very simply, at the beginning of the crop year, which is August 1, an estimate is made of the amount of grain that will be moved. If the amount is greater, the railways have to be paid more because they have moved more. If the amount the railways move is less then they will get a refund, because they move less grain. The adjustment in this crop year is almost exclusively the result of an underestimate in the volume. If the railways move more than is estimated, they will get paid more. It is that simple.

But, this is a special year because the Bill did not come into place until January 1. That meant that for the previous five months, from August 1 to December 31, the Government was responsible for the increases in rates. The producer then was responsible for the next seven months, January 1 to July 31. That meant that for the first five months, which is five-twelfths of the calendar year, the Government should have been responsible for the increases in costs that the railways charged to the producers.

The difference that the railways should have as extra compensation for the extra volume they moved is \$60 million.

What I would like to know from this Government is why it is not picking up its share of the increase—Five-twelfths of \$60 million is \$25 million. There is no doubt in my mind that the Government is overcharging producers to the tune of \$25 million.

● (1805)

We raised this issue with the Government at committee when the Bill was being put through. I would like to quote from an exchange I had with Mr. Kruger in committee. I said:

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The railways are not going to be short-changed, they are going to get their additional increases, except in this case it is all going to come from the Government up until January 1.

That is January 1, 1984. Mr. Kruger replied:

Yes, it will, but not under this Bill. The Government will be seeking authority from Parliament under the next Supplementary Estimates to make a further installment—

I went further to ensure that he understood my question. I was asking him if the producers were going to be expected to pay more. He replied:

No. That is a matter between the Government and the railways as to whether the railways are to be compensated for their losses in the first five months of this crop year or not.

Clearly, what Mr. Kruger said is that the Government is going to take up with the railways the issue as to whether they are going to be compensated for their losses, if they have any, as a result of the increase in volume, and that it is not going to be the producers' responsibility. The announcement last week of the new rates, indicates to me that the Government is deliberately overcharging the producers by \$25 million.

I hope the Parliamentary Secretary will confirm this evening that the Minister understood my question, and that he is now going to announce that \$25 million will be deleted from the producers' share of that increase in rates, Mr. Speaker.

[Translation]

Mrs. Éva Côté (Parliamentary Secretary to Minister of Transport): Mr. Speaker, under the provisions of the Western Grain Transportation Act, the producers have to pay for any rate increase resulting from traffic movements in excess of a preset volume. Because the 1983-84 crop was underestimated by nearly three million tonnes, that increase is quite considerable. That underestimation is offset through a rate structure interim adjustment. As a result, the Government paid too much and the farmers did not pay enough. Rather than distributing the Crow profits on the basis of 34.7 million tonnes, the Government did so on the basis of 31.9 million tonnes. However, those profits were paid out on the basis of total grain movements for the year, hence the one payment in excess.

When the people involved in the Gilson project were trying to find a producer and Government contribution formula with respect to future freight rates, they had to decide how best to allocate the Crow profits. In their opinion, the best way to protect the producers was to make the Government responsible for the highest possible percentage increase in inflation-related costs. Under a legislative provision, for the first three years the Government will pay for any inflation-related cost increase over 3 per cent, and for anything else over 6 per cent in the following years. In exchange for that protection against inflation, they suggested that the producers be held responsible for future increases in the volume of shipments. This is a wise choice because the increase in volume is tied to the productive capacity of the land, and also because an increase in volume means higher incomes for grain producers. Fortunately,