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SENATE
Standing Committee on
Transport and Communications

1st Session, 25th Parliament
1962-3

Bill S-4, An act respecting Canadian Pacific Railway Co.
Bredenburg Southerly Branch Line - Plan of approximate
location.

Canadian Pacific Railway Co.

Colpitts, C.A., chief engineer, C.P.R.

Gorman, Gregory J., counsel.

Hugessen, Hon.A.K., chairman.

International minerals and chemical corporation.

Knorst, Walter B., Assistant Director of Transportation,

International Minerals and Chemical Corporation.

Roberts, J.M., Vice-President, Traffic, C.P.R.



First Session—Twenty-fifth Parliament

1962

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE ON

TRANSPORT AND COMMUNICATIONS

To whom was referred the

Bill S-4, An Act respecting Canadian Pacific Railway Company

The Honourable A. K. HUGESSEN,
Chairman.

THURSDAY, OCTOBER 18, 1962

WITNESSES:

Mr. Gregory J. Gorman, Counsel; Mr. C. A. Colpitts, Chief Engineer, C.P.R.; Mr. J. M. Roberts, Vice-President, Traffic, C.P.R.; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation.

APPENDIX

Plan of Approximate Location of the Bredenburg Southerly Branch Line.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1962

THE STANDING COMMITTEE ON
TRANSPORT AND COMMUNICATIONS

The Honourable ADRIAN K. HUGESSEN, Chairman.

The Honourable Senators

Baird	Gershaw	Method
Beaubien (<i>Provencher</i>)	Gladstone	Molson
Bishop	Gouin	Monette
Blois	Hayden	Paterson
Bouffard	Hollett	Pearson
Bradley	Horner	Power
*Brooks	Hugessen	Quart
Buchanan	Isnor	Reid
Campbell	Jodoin	Robertson
Connolly (<i>Halifax</i> <i>North</i>)	Kinley	Roebuck
Connolly (<i>Ottawa West</i>)	Lambert	Smith (<i>Kamloops</i>)
Croll	Lefrancois	Smith (<i>Queens-</i> <i>Shelburne</i>)
Dessureault	*Macdonald (<i>Brantford</i>)	Stambaugh
Dupuis	Macdonald (<i>Cape</i> <i>Breton</i>)	Taylor (<i>Westmorland</i>)
Emerson	McGrand	Thorvaldson
Farris	McKeen	Veniot
Fournier (<i>Madawaska-</i> <i>Restigouche</i>)	McLean	Vien
		Woodrow—50.

50 members
(Quorum 9)

**Ex Officio* Member.

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate for Thursday, October 11, 1962:

Pursuant to the Order of the Day, the Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Hnatyshyn, that the Bill S-4, intituled: "An Act respecting Canadian Pacific Railway Company", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Aseltine, P.C., moved, seconded by the Honourable Senator Hnatyshyn, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNeill,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, October 18, 1962.

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10.30 a.m.

Present: The Honourable Senators Hugessen, *Chairman*; Baird, Campbell, Connolly (*Halifax North*), Croll, Lambert, Lefrancois, Macdonald (*Cape Breton*), McGrand, McKeen, Paterson, Pearson, Reid, Smith (*Queens-Shelburne*), Thorvaldson and Woodrow.—16.

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel and the Official Reporters of the Senate.

Bill S-4, "An Act respecting Canadian Pacific Railway Company" was read and considered clause by clause.

On motion of the Honourable Senator Reid, it was resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the proceedings on the said Bill.

The following were heard: Mr. Gregory J. Gorman, Counsel; Mr. C. A. Colpitts, Chief Engineer, C.P.R.; Mr. J. M. Roberts, Vice-President, Traffic, C.P.R.; Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation.

A plan of the Bredenbury Southerly Branch Line was ordered to be printed as an appendix to these proceedings.

It was resolved to report the Bill without any amendment.

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

REPORT OF THE COMMITTEE

THURSDAY, October 18, 1962.

The Standing Committee on Transport and Communications to whom was referred the Bill S-4, intituled: "An Act respecting Canadian Pacific Railway Company", have in obedience to the order of reference of October 11th, 1962, examined the said Bill and now report the same without any amendment.

All which is respectfully submitted.

A. K. HUGESSEN,
Chairman.

REPORT OF THE COMMITTEE

October 18, 1913

The Committee on the part of the Commission on the part of the
United States Department of the Interior, in its report to the
President, dated October 18, 1913, has the honor to acknowledge
the receipt of your report, dated October 18, 1913, and to
express its appreciation of the same.

Very respectfully,
Chairman

A. M. NICHOLS

Chairman

THE SENATE

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

EVIDENCE

OTTAWA, Thursday, October 18, 1962.

The Standing Committee on Transport and Communications to which was referred Bill S-4, an act respecting Canadian Pacific Railway Company, met this day at 10.30 a.m.

Senator A. K. HUGESSEN (*Chairman*), in the Chair.

On a motion duly moved and seconded, it was agreed that a verbatim report be made of the committee's proceedings on the bill.

On a motion duly moved and seconded, it was agreed that 800 copies in English and 200 in French of the committee's proceedings on the bill be printed.

The CHAIRMAN: Honourable senators, I have before me some material which I think would be of interest to the committee, and if it is agreed I will ask that it be distributed. The first item is a map showing the location of the proposed railway, and the second is an illustrated brochure giving details of the important potash industry in the province of Saskatchewan which this branch line is designed to serve.

While those are being distributed I have two communications to read to the committee. The first one is a report from the Law Clerk and Parliamentary Counsel which is in the following words:

In my opinion this bill is in proper legal form, and I have no suggestions to make for its amendment.

The second is a telephone message that has been received from Mr. Jacques Fortier, Counsel to the Department of Transport, and it is to the effect that the Minister of Transport has no objection to this bill.

The persons who are appearing in support of the bill are Mr. Gregory J. Gorman, Parliamentary Agent in Ottawa; Mr. J. E. Paradis, Q.C., Assistant Commission Counsel, Canadian Pacific Railway Company; Mr. J. M. Roberts, Vice-President, Traffic, Canadian Pacific Railway Company; Mr. C. A. Colpitts, Chief Engineer, Canadian Pacific Railway Company; Mr. E. E. Marlin, Assistant Chief of Transportation, Canadian Pacific Railway Company and Mr. C. K. Holden, Assistant Region Engineer, Canadian Pacific Railway Company. Those are all representatives of the Canadian Pacific Railway Company, and with them is Mr. Walter B. Knorst, Assistant Director of Transportation, International Minerals and Chemical Corporation which I understand is the company which is building this important potash plant in the province of Saskatchewan.

Senator Aseltine, you are the sponsor of this bill. Have you anything to say before we call upon the witnesses?

Senator ASELTINE: I would suggest, Mr. Chairman, that Mr. Roberts be asked to make a statement.

The CHAIRMAN: Is that agreeable to the committee?

Hon. SENATORS: Agreed.

Mr. GREGORY J. GORMAN, *Parliamentary Agent*: Mr. Chairman, it was my intention to ask Mr. Roberts to make a statement to the committee outlining in a general way the traffic flow that will result from the building of this

line; in other words, the destination of the material that will be picked up by this branch line, where it will be used domestically and where it will be shipped overseas.

I thought, however, that it might be better to hear first from Mr. Colpitts who is the Chief Engineer of the Canadian Pacific and who can outline the nature of the construction itself so that the members of the committee will have that information first. Would that be satisfactory?

Senator ASELTINE: Yes.

The CHAIRMAN: Then, I will call on Mr. Colpitts.

Mr. C. A. COLPITTS, Chief Engineer, Canadian Pacific Railway Company: Mr. Chairman, and honourable senators, as shown on the plan before you, the plant of the International Minerals and Chemical Corporation is located in the south-east quarter of Section 24, Township 20, Range 33, west of the Principal Meridian.

(See Appendix for plan.)

You will note that the proposed line extends southerly from the east end of Bredenbury Yard located in the south-east quarter of Section 35, Township 22, Range 1, west of the second meridian almost due south for six miles, more or less along the quarter-section line, where it crosses Cut Arm Creek. From this point, the line will run in a south-easterly direction near a Saskatchewan Power Corporation transmission line paralleling the creek for 9.5 miles where it will connect on to the northerly limit of the plant trackage, a total distance of 15.5 miles.

The first six miles of the line crosses flat to slightly rolling land with poplar bluffs and willow bush. Approximately 60 per cent of the land is cultivated, 20 per cent bush and scrub, and the balance, pasture land. The topsoil is a light sandy loam with some boulders underlaid by small sand and gravel deposits. No major watercourses are crossed in the distance.

The next two miles constitute the crossing of the Cut Arm Creek and its valley. The creek at the location of the crossing is in a valley approximately 60 feet deep and 1,000 feet wide. The valley bottom is muskeg over fine sand and gravel deposits. The proposed crossing utilizes tributary ravines entering and leaving the valley. A wooden pile trestle, approximately 135 feet long and 35 feet high will be constructed at this crossing.

The balance of the line—7.5 miles—again crosses slightly rolling land, 85 per cent under cultivation, the remainder being poplar and willow bush. The topsoil is heavier than that found on the north side of the creek.

The cost of the proposed line is estimated at \$682,000 and a local contractor has been selected to do the grading. His labour force, together with company employees, will be recruited in the area as far as possible. It is estimated that the line can be constructed in slightly over six weeks. There would be about 80 men employed on the project.

The proposed line will connect with the railway system of Canadian Pacific at Bredenbury, Saskatchewan, a point 253 miles north-west of Winnipeg on the company's Winnipeg-Saskatoon-Edmonton line—227 miles south-east of Saskatoon.

Bredenbury is a division point with staff on duty 24 hours a day, yard trackage and accommodation for cleaning cars. There is daily freight service through Bredenbury.

In determining the best possible route for this line, a reconnaissance has been made by experienced railway engineers and the route shown on the

plan before you is selected as the best possible, for the purpose of economical railway construction and operation and to best serve the interests of the industry.

A detailed survey to establish the exact location of the line has been made. Options have been obtained from all landowners concerned.

The CHAIRMAN: I gather from your figures that this line is to be 15½ miles long and to cost about \$680,000. That is about \$45,000 a mile?

Mr. COLPITTS: About \$40,000 a mile; there are 1½ miles in yard trackage also.

Senator CROLL: How long will it take you to build it?

Mr. COLPITTS: Six weeks.

Senator CROLL: So those 80 men will be employed for approximately six weeks?

Mr. COLPITTS: Yes.

Senator ASELTINE: Is it the intention to try to build it this fall, if this bill is passed?

Mr. COLPITTS: Definitely.

Senator ASELTINE: Is it necessary to do so in order to facilitate the removal of the potash?

Mr. COLPITTS: It is the wish of the industry that we get in there as soon as possible, sir.

Senator REID: Are there plenty of markets available for potash?

Mr. COLPITTS: There is another witness who can answer that better than I can.

Senator BAIRD: Is there not another railroad there already, the C.N.R.?

Mr. COLPITTS: Yes, the Canadian National.

Senator BAIRD: They are operating to the south?

Mr. COLPITTS: Yes, south of this proposed line.

Senator BAIRD: They are taking out potash today?

Mr. COLPITTS: Yes, I understand they are moving a small amount of it.

Senator BAIRD: And you hope to start, you say, before the spring?

Mr. COLPITTS: We hope to start before the end of the year, sir.

Senator PATERSON: Are they producing potash now?

Mr. COLPITTS: Yes.

The CHAIRMAN: Perhaps with regard to the actual industry we might hear Mr. Knorst, the representative of the industry itself, as to what stage they have reached in production. This gentleman is chief engineer of the Canadian Pacific Railway.

Senator PEARSON: Could you say that there will be sufficient traffic on the line to warrant a second line being put in, making one for the C.P.R. and one for the C.N.R.?

Mr. COLPITTS: Mr. Roberts is with us today; but that is my understanding, yes.

The CHAIRMAN: Are there any further questions for Mr. Colpitts? With regard to traffic I understand that Mr. Roberts is suggested as the railway witness. Shall we hear Mr. Roberts now?

Hon. SENATORS: Agreed.

The CHAIRMAN: This is Mr. J. M. Roberts, Vice-President, Traffic of the Canadian Pacific Railway Company.

Senator PEARSON: Could I ask you, Mr. Roberts, the same question: does this branch line warrant being built? Is there sufficient traffic for both lines?

Mr. ROBERTS: Very definitely so, sir.

Mr. Chairman, honourable senators, if I may presume as to what you wish me to speak about, it is the destination territory to which the products of this mine will be shipped. It is estimated that roughly 50 per cent will move offshore into export markets, primarily, certainly at the outset, through British Columbia coast ports. About 30 per cent of it will move to the United States, to destinations in the United States; and 20 per cent to Canadian destinations.

At the moment the territory in the United States to which the potash would be shipped, you could say, extends from the mid-west United States—Minnesota, North Dakota and South Dakota—and then eastward to the Atlantic Ocean; and, similarly, in eastern Canada, to the fertilizer plants in eastern Canada and, we hope, as far east as the Maritimes.

Senator WOODROW: Is there any tariff against potash going into the United States? Is so, what is the percentage?

Mr. ROBERTS: I could not answer that question off hand.

Mr. GORMAN: I think the answer is no, as far as I understand. Mr. Knorst, who is a representative of the producing company, I am sure will be able to answer that.

Senator REID: What other companies produce potash?

Mr. ROBERTS: In Canada at the present time, none. But deposits of sulphur in the United States and Canada are confined to New Mexico; that is where all the large deposits are and from where shipments are made at the present time.

Senator McKEEN: Is there not a lot of sulphur recovery made from gas and oil?

Mr. ROBERTS: Yes, but we are into another field.

Senator McKEEN: You said the sulphur is coming from New Mexico.

Mr. ROBERTS: I meant "potash".

Senator McKEEN: Is that shipped in bulk?

Mr. ROBERTS: Yes, mainly in bulk.

Senator McKEEN: This bulk loading in Vancouver, the facilities they have there now could handle this?

Mr. ROBERTS: Yes, absolutely.

Senator PEARSON: Does it need special cars?

Mr. ROBERTS: No, but it moves primarily in what we called covered hopper cars.

The CHAIRMAN: The ordinary coal car?

Mr. ROBERTS: No, this is a type of railway car which has been developed over the last ten years, and we call it a covered hopper car. It is like a large boxcar with openings on the top, and you feed the product in through those openings, and then it is unloaded at the bottom.

Senator CROLL: In looking at this map I gather it is about 15 to 16 miles from Bredenburg; but it appears to be a mile or two miles at the most from the C.N.R. road.

Mr. ROBERTS: Yes.

Senator CROLL: In the light of what we know about the railway situation in Canada generally, both C.N.R. and C.P.R., it is a little difficult to understand this undertaking by the C.P.R. and what the purpose of it is, with the other railroad facilities so handy.

Mr. ROBERTS: I think, sir, with respect, that we must look at the overall transportation picture. In other words, this potash is moving from the plant to destinations in eastern Canada. The destinations in eastern Canada are blanketed; that is to say, the same rate in the case of Ontario and Quebec—the same rate applies in the territory from Windsor through to Montreal.

Senator CROLL: I do not know why you picked Windsor.

Mr. ROBERTS: It is a part of the area.

Senator CROLL: Your motive is understood; continue.

Mr. ROBERTS: The rates would be equal. The two lines of railway to serve the plant are needed so that there will be one railway available always in case the other has a washout or a strike. It means that there always will be service available to move the product.

Senator BAIRD: In other words, you get some of this lucrative trade.

Mr. ROBERTS: The industry always wishes to have an extra string to its bow.

Senator CONNOLLY (*Halifax North*): That is probably the best reason.

Senator CROLL: It is a case of your being the C.P.R. and you say, "It is good for me".

The CHAIRMAN: What order of magnitude of traffic are we talking about?

Mr. ROBERTS: It would run roughly in the neighbourhood of 20,000 cars a year. It is over a million tons.

Senator PEARSON: For each railway? In total?

Mr. ROBERTS: In total.

Senator ASELTINE: I think I said 21,000. You say 20,000.

Mr. ROBERTS: It is 20,000 of more. It is a million tons a year.

Senator CAMPBELL: Would the eastbound movement be trans-shipped at lakehead?

Mr. ROBERTS: That is something which may come up in the future but at present there are no facilities for the bulk handling of the product. It might be for export purposes, but not likely for domestic.

Senator SMITH (*Queens-Shelburne*): We hear a lot at present about the duplication of services and the uneconomic operation of both C.P.R. and C.N.R. Perhaps this question should be asked of the company. Why does the company want the C.P.R. to come in here when they already have the C.N.R.?

Mr. ROBERTS: This is a question of a company with an investment of over \$40 million. It is a very large company with a large development. It wishes to have alternatives of shipment always available, in case of wrecks or floods or strikes. This is not unusual, it is the case with large industry.

Senator BAIRD: One is tapping the north and the other is tapping the south. On page 30 of this booklet there are sufficient figures given to interest anyone.

Senator CONNOLLY (*Halifax North*): Mr. Chairman, is there any objection from any source to this proposal?

The CHAIRMAN: I have not been advised of any opposition. I assume that if the C.N.R. had any serious objection they would have made representations before us. It seems quite obvious that there is to be a very large amount of freight and I suppose it is only fair that both railways should participate.

Senator MCKEEN: For domestic purposes, I suppose the company would want the railway to take it direct?

Mr. ROBERTS: This is an important point. If you have to interchange to local destinations on the railway, it means that equipment is tied up and it takes a long time. In the way we suggest, there is maximum utilization of the equipment.

Senator PATERSON: It must also have something to do with competitive rates.

Senator CROLL: He says it has not.

Mr. ROBERTS: The rates are there now and we will have exactly the same rates as are available by C.N.R. The rates are those necessary to move the traffic.

Senator CROLL: If you got half the business, you can still see the investment paying off?

Mr. ROBERTS: Yes.

Senator CROLL: Mr. Chairman, could we have someone tell us something about the company itself?

The CHAIRMAN: There is a representative of the company here and I propose to call on him to give us some general information about it. Are there any further questions to Mr. Roberts?

Senator ASELTIME: We can recall him if necessary.

The CHAIRMAN: Yes, he will be here. Thank you, Mr. Roberts. Is there anyone else from the C.P.R.?

Mr. GORMAN: I think not, unless there is some question. We have experts from the railway in all fields, to assist the committee. This line is being put in at the request of the producing company, International Minerals and Chemical Company Limited. We have here, to assist in the presentation, Mr. Walter Knorst. I am sure he will be able to provide the committee with a general description of the operations of the company, the mine and the refinery. He can explain the great difficulty encountered in bringing the mine into operation and he can outline the very cogent reasons why the company feels that it should have the service of this additional line.

Senator McKEEN: Does the railway always accede to a request for a branch line into a plant?

Mr. GORMAN: I think that if it is economical it does so.

The CHAIRMAN: We will hear Mr. Knorst now.

Mr. Knorst, from the discussion so far, you can appreciate what the committee would like to hear.

Mr. WALTER B. KNORST, Assistant Director of Transportation, International Minerals and Chemical Corporation: Mr. Chairman and honourable senators, we appreciate the opportunity of explaining the need for the C.P.R. to service our Esterhazy mine. It has been my direct responsibility for the past five years to see that this mine is properly serviced from the transportation standpoint, that is to say, to see that the layout was such that it would be efficiently usable in connection with all forms of transportation; rail, truck and air. We use air once in a while for emergency reasons.

For five years we have been investigating this. It is axiomatic in the transportation field that you have more than one carrier serving your plant, for several reasons. It is necessary for car supply and to make each one sharp enough so that they do not get sloppy in their handling. With one railway only, they have you over a barrel. If they want to serve you efficiently they will do so; if they do not want to serve you efficiently, you can do nothing about it. That is one reason for our wanting to have the C.P.R. in there.

There are other reasons. We have an expensive hole in the ground in this mine. It is a \$40 million hole until it starts paying off. There will be approximately 400 local people trained to work in the mine. They are well on the way to having those trained people at the moment at the mine. There will be approximately a \$2 million payroll that will accrue to local people. This is fine, but we must have transportation facilities all the way through, as this is a most competitive business. It is a fertilizer business, a low-rated product which moves in large quantities, which turns over a lot of dollars but very few of which we keep for ourselves. I may say that that brochure contains

more information than I can give you in ten thousand words. Mr. Chairman, from a layman's point of view I would like to tell you a little bit about the mine.

The CHAIRMAN: You did not answer Senator Baird's question. He asked you who your shareholders are.

Mr. KNORST: It is a public-ownership company. We have stockholders all over the country.

Senator SMITH (*Queens-Shelburne*): Which country?

Mr. KNORST: The United States and Canada.

Senator CROLL: I do not like to appear ignorant about this, but this company is new to me. I am from the east and I do not know anything about it. If you don't mind will you tell us something about the history and the background of the company, its ownership, where its control is.

Mr. KNORST: The firm is over fifty years old and has been engaged in various phases of the fertilizer business.

Senator CAMPBELL: When you say the "firm" are you speaking of this company?

Mr. KNORST: International Minerals and Chemical Corporation, the parent company.

Senator CAMPBELL: I think that is what has been confusing both of us.

Senator CROLL: Speak about the Canadian company, please.

Senator ASELTINE: You are incorporated in Canada are you not?

Mr. KNORST: Yes, we have corporate offices in Toronto. As far as International Minerals and Chemical Corporation (Canada) Limited is concerned, to my knowledge it is approximately ten years old, I would say. I am not sure about that. I am a transportation man and I do not have all these answers corporatewise but I can give you the benefit of what I do know about it.

The direct responsibility for the Canadian operation and the company in Canada is under Mr. D. H. Starke, vice-president of both corporations, a Canadian-born citizen and one of the most successful in establishing potash mines in Canada. It is due to his direct efforts that this mine has been completed.

The mine itself is three thousand feet down. We had one devil of a time getting down there. We went through what I would call quicksand that just refused to co-operate with the efforts of the mining engineers and they finally hit on the idea of making a mass of ice out of it. They froze it. I was out here about five years ago and I thought the mine was completed but all that was on top were these icing machines—machines that make ice—and they were freezing this ground down below. After they got it frozen solid they came in with chip hammers and chipped away at the mass, which is a very slow process. Then one of our good competitors up near Saskatoon, the Potash Company of America, were having trouble with their mine and we took a lesson from the trouble they had and we hired a firm of German engineers to come over here, engineers who had similar problems over in Europe, which they solved by putting in big iron hoops.

The CHAIRMAN: Right down the three thousand feet to the bottom?

Mr. KNORST: No, just through that portion where they were having the trouble with this quicksand. There was quite a problem then to get somebody in Canada to machine and manufacture these hoops and we were fortunate to team up with a Canadian manufacturer that put these together and they worked fine and we are happy that that will solve our problem there.

Senator PEARSON: As a matter of fact it was an Ontario company that did that?

Mr. KNORST: Yes, sir. We finally hit bottom. The Canadian National Railways now services us but in Canada both railways do not have enough hopper cars to service our account. They have, perhaps, 1,500 covered hopper cars apiece but they are allotting them out to all shippers in Canada. We do not know how many of them we are going to get, so we will have to use some private cars. We will be responsible for the leasing costs, but we need them to service our mine.

The CHAIRMAN: In other words you will need the cars of both companies?

Mr. KNORST: That is right. If we get 500 cars from the Canadian National we might get a like amount from the Canadian Pacific but we would still need 2,000 more cars, but whatever we need we will be able to get. For every car the railway will allow us to use we will incur that much less cost in leasing private cars for the same purpose. About 20,000 cars will move out of there each year, and of that number approximately 60 percent will be box cars.

Senator PATERSON: Is potash a perishable product?

Mr. KNORST: No, it is not but it has to be kept dry. If it becomes wet it loses some of its value and hardens like cement. In fact it makes a good cement when it is wet.

The CHAIRMAN: But you are not in the cement business?

Mr. KNORST: Not yet.

Mr. Chairman, I would like to tell you a little about the mine itself. The mine is 3,000 feet down. There they have underground borers or big machines with a drill in front of them that drill into the potash, crack it up into big chunks which fall down, and are picked up by big arms—and they do look like arms—and scooped into a belly-like conveyor. It goes over the conveyor into a mining car and over to the shaft. When it gets to the shaft it is crushed and then it goes on its way up to the top. When it gets to the top every pound of potash ore has to go through what I call a witch's brew. It is a big vat that is continually bubbling like ginger ale. It contains a combination of kerosene oil and some other chemicals. When the bubbles come to the top it looks like a big strawberry soda with froth on top. They scoop that froth off and that is the potash. It is dried and then passed through screens to particular sizes that are readily saleable. It is then ready for the market. The other sizes that are not of the correct size have to be ground still further, and custom grinding in the trade takes care of that. There are probably half a dozen different grinds required and they grind them to those sizes, and they are dried and ready for shipment. Then it goes into storage.

Mr. Chairman, there are great seasonal surges in this business. As you know, farmers fertilize their land probably a month or a week before planting and no farmer wants to buy fertilizer until he is ready to use it. He does not want to pay for it in advance. So we have these extreme seasonal surges. Now, even if the car supply was adequate throughout the year, during the seasonal surge it is not adequate and so we need all the help we can get transportation-wise during these seasonal surges.

The distribution, or the way the market is supplied up to the present time, is that about 50 per cent will go overseas to Europe, Korea, Japan and Australia, and it is planned to use Vancouver for these export movements. The sailing time to Japan is much less from Vancouver than from the present source of supply which is shipped through Los Angeles at the present time. Competitively speaking, they are on a par so far as costs are concerned, but the edge that Canadian potash will have in the export market is the lesser sailing time from Vancouver than from Los Angeles.

Canadian ore is much richer than United States ore. You get more potash content out of each ton of Canadian ore that you mine than you do out of U.S. ore. That was one of the primary reasons for coming up to Canada. It was a terrific gamble. It looks as if it will pay off, but there is no guarantee that it will.

Senator REID: Where is potash mined in the United States?

Mr. KNORST: Carlsbad, New Mexico. It is near El Paso, Texas, it is near Carlsbad Caverns.

Senator CAMPBELL: What tonnage is being shipped from this mine now?

Mr. KNORST: It is geared to produce 3,000 tons a day. The last word I have is that they shipped 40 cars on the day after your Thanksgiving, and that would be equal to approximately 2,000 tons. There is no reason for believing that they are shipping anything less than that. Maybe it runs between 1,000 and 2,000 tons per day. This is still in the testing stages, and we are running into bugs; we are having our troubles, but we expect to come out of them.

The CHAIRMAN: When you reach full production how many cars a day will you be shipping?

Mr. KNORST: Probably 100, and during the seasonal surges it will probably be more than that. At those times they will be working on a 24-hour day basis. We have to make money while the market is there.

Senator ASELTINE: I understand the area underneath the surface at this level of 3,000 feet is impregnated with potash for miles and miles in every direction.

Mr. KNORST: Yes. There is supposed to be over 200 years' supply of potash for the whole world, but I feel that all of it has not been found yet. They are still looking for it, and they will find more.

Senator CROLL: When you speak of seasonal surges can you describe them by saying what months they are?

Mr. KNORST: Right now it is a heavy season overseas. Because of the variations in climate it is pretty well constant. There is a continual flow of export movement.

Senator PEARSON: They will ship mostly to northern hemisphere areas?

Mr. KNORST: I would not know that. Our responsibility ends when the potash gets to the port and goes on the ship.

Senator PEARSON: When it goes to Australia and New Zealand it will be arriving there in a different season.

Mr. KNORST: Yes, and in Florida, for instance, they can use it practically all year long. There is a good market for it in Florida, and there is a possibility that Canadian potash will find its way to Florida and compete with English potash, French potash, and Spanish potash. It is to be hoped that we can compete with those countries on the coast. They bring that potash over here at what we call ballast rates of \$3 to \$5 per ton. They can look at a price list and cut it any way they want.

At the moment our price is \$5 a ton over the price at which they can deliver it at the east coast ports and the Gulf ports, and also in Nova Scotia and Prince Edward Island. We are \$5 higher than their price. We hope that it will be possible to ship through Vancouver and the Panama Canal and go to the east coast if we can get extremely large ships and find the warehouses over there from which we can distribute. The greater the quantity we can ship, the more economic transportationwise it becomes.

Senator SMITH (*Queens-Shelburne*): Did you say you will ship for export through Vancouver only?

Mr. KNORST: At the present time. We have looked at the St. Lawrence Seaway ports. They have a short season. They do not have the facilities we need for trans-shipment to vessels. For a while we were looking at some iron ore docks. If they had a cover on them they would be fine, but they have no cover. It is all a terrific gamble.

Senator SMITH (*Queens-Shelburne*): Have you looked at the possibility of building storage at Halifax for shipment from there during the winter to the European market?

Mr. KNORST: I have visited Halifax. There is always room for the building of a warehouse, but it is extremely expensive, and the rates from Esterhazy to Halifax are just out of the question. You could not meet them.

Senator LAMBERT: Is there any prospect of developing a market in China from the Pacific coast?

Mr. KNORST: I would imagine so, yes, sir.

Senator LAMBERT: You have had no intimation of that lately? Formerly there was a very good market for potash in China. Soda-ash and potash represented a very large proportion of imports into China for fertilizing purposes. I know China is governed by a different ideology from ours, but we are selling them some wheat, and I am wondering why we should not sell them some potash as well.

Mr. KNORST: I see no reason physically why it could not be sent there.

Senator LAMBERT: Are there financial reasons?

Mr. KNORST: That may be another question.

Senator CROLL: I am a little intrigued by what you said a moment ago. I may have misunderstood you. I thought you said that domestically you could not compete.

Mr. KNORST: Under the domestic rates from Carlsbad and Esterhazy to the east coast ports it is impossible to compete.

Senator CROLL: Did I understand you to say that some producer in another country can ship here and beat your price at almost any place in Canada?

Mr. KNORST: On the east coast: Halifax, Prince Edward Island, and along that coastline. We were investigating there. It was my responsibility, and I visited Halifax and I looked at ways and means of meeting this type of competition. Of course, we explored the St. Lawrence Seaway to see if we could go up there and come around, but having regard to transportation cost at the present time and under the present circumstances it does not look feasible, but we will never give up. We will keep looking. That is another reason why we are always looking for more transportation instrumentality to serve our production. We want, and we will use, the Canadian Pacific Railway. We will use both rail roads for serving the markets with a million tons of potash.

Senator CAMPBELL: Have you investigated the feasibility of trans-shipment at Duluth for the east coast and overseas?

Mr. KNORST: Yes.

Senator CAMPBELL: What is the difficulty there?

Mr. KNORST: You have Canadian railroads up close to Duluth and then you have the American railroads to deal with, and never the twain shall meet. There is competition there. They want something into Canada, and Canada wants something into the United States, and unless you co-operate you do it the way they want you to do it, and you pay them the rate they want to give you, and that rate is no good.

Senator CAMPBELL: What about Fort William and Port Arthur?

Mr. KNORST: I investigated those ports personally. They have possibilities, but at the moment they are not very good.

Senator CAMPBELL: On account of the lack of handling facilities?

Mr. KNORST: Yes.

Senator CAMPBELL: And the costs of installation will be too great?

Mr. KNORST: Yes. We are making experiments in silos, and we have not yet beaten the problem of compaction in a silo.

Senator PATERSON: Today there is a ship loading paper at Fort William for Miami, Florida. I think it is a new innovation.

Mr. KNORST: Yes. We are charged with the responsibility of watching for those new innovations, and I think we are aware of quite a few of them. We have explored them, and the way we see it now is that Vancouver has the greatest potential at the present time for servicing these accounts on the east coast. It all depends on the charter rates you are able to get, and whether you can establish an economical warehouse on the east coast. We have four warehouses at the mine which hold about 35,000 tons a piece, and that makes a total of 140,000 tons you need in reserve for surges. Some overseas orders are contingent upon when a ship is available, and you may get five or ten days' notice. If they want, say, 15,000 tons and you cannot supply it, somebody else will. So you had better be ready to supply the order. That is why you have 140,000 tons in reserve, to service that kind of account. Again, 10,000 to 15,000 tons requires quite a number of hopper cars to get the product over to the port, and these cars are not always available. Everybody is crying for hopper cars, for they are the cheapest method of unloading. You crank up the gates and they open up, and it falls onto the bottom. You can regulate the gates for a single receiver who wants one car. He can put an under-track unloader there, and you start the conveyor belt going, and it goes into his warehouse or bin or pile, and he has only one man opening the gate. So this is much cheaper than unloading a boxcar. A boxcar probably requires a man with an expensive front-end loader; that is, a tractor with a shovel at one end, and he goes in the car and takes a shovelful out and goes to the plant and stacks it some place. So it is much more expensive to use boxcars. It is the workhorse of the railroad, and it is usually associated with plants that have been in existence for a long time, and that have not got around to replacing their facilities to accommodate a hopper car. But in our experience about a 2 per cent decrease a year occurs in boxcars over hopper cars; in other words, 2 per cent more hoppers are replacing that many boxcars. But there is a substantial amount of boxcars used at the present time.

The CHAIRMAN: Any further questions to Mr. Knorst?

Senator CAMPBELL: May I ask one question as a matter of interest, as to whether these hopper cars can be used for the handling of grain?

Mr. KNORST: Do you mean these particular hopper cars?

Senator CAMPBELL: Yes.

The CHAIRMAN: Can Mr. Roberts answer that?

Mr. GORMAN: I understand that they can, Mr. Chairman.

Mr. ROBERTS: Yes, they can.

Senator SMITH (*Queens-Shelburne*): Can they be used for chip pulpwood?

Mr. ROBERTS: What they are using for pulpwood chips are high-sided gondola cars, and they extend the sides. They are regularly four feet high, and they are extended another four feet. That is the way we are handling the pulpwood chips.

Senator BAIRD: In other words, you do not come back empty at any time?

Mr. ROBERTS: This is what we are always aiming for.

The CHAIRMAN: Any further questions to Mr. Knorst, honourable senators?

Senator CAMPBELL: I wonder if any witness could give us some information about the corporate structure of this company, as a matter of interest?

Mr. KNORST: On the transportation end, as far as the corporate structure is concerned, I do not have too much information to give you.

Senator CAMPBELL: Did it start out to be a wholly-owned subsidiary of an American corporation?

Mr. KNORST: Yes.

Senator CAMPBELL: And the financing was all provided by the American corporation?

Mr. KNORST: Yes.

Senator CAMPBELL: I do not suppose there has been any sale of shares in Canada?

Mr. KNORST: I think there has been. It has been my information it was on the Toronto Stock Exchange.

The CHAIRMAN: That is, the parent company shares or the Canadian subsidiary shares?

Mr. KNORST: For all practical purposes they are one and the same: they carry the same connotation, the same price and the same return.

Senator CAMPBELL: I think you will find it is a wholly-owned subsidiary of the American corporation.

Mr. KNORST: Yes.

Senator SMITH (*Queens-Shelburne*): What proportion of the present known deposits of potash in that large area is controlled by your company? Do you control everything in that vast area?

Mr. KNORST: No, not all the 200 years' supply. We have a very small proportion.

Senator LAMBERT: What deposits do you have?

Mr. KNORST: I am sorry, I do not know.

Senator LAMBERT: In the development of this potential deposit you are interested in, are you confined now to this one shaft?

Mr. KNORST: No, another shaft will be sunk, but it is what we call a convenience shaft. It will not be used for production, but for ventilation, safety purposes and for taking men and supplies up and down, leaving the other shaft just for production. To my knowledge there is no immediate plan for sinking another shaft. It cost \$40 million for one shaft, and we are going to be darned sure it is not going to cost us another \$40 million for another. They are proceeding cautiously.

Senator LAMBERT: I wonder what estimates you might have of the potential supply your organization would have now.

Mr. KNORST: Our particular supply?

Senator LAMBERT: Yes.

Mr. KNORST: My information is that there is a 200-year supply of a million tons a year production.

Senator LAMBERT: Which would be accessible to you?

Mr. KNORST: Yes.

Senator CROLL: I am just glancing at this beautiful brochure, and you say, "Miners broke through into the potash on June 8, 1962."

Mr. KNORST: Yes, this year.

Senator CROLL: That was the beginning?

Mr. KNORST: Yes.

Senator CROLL: After many years of experiment and many years of work in there, this is the beginning of your real production?

Mr. KNORST: Yes, sir.

Senator CROLL: And when you say here: "An annual contribution to Canada's balance of trade with potash exports valued at \$17 million," that relates to this mine?

Mr. KNORST: Yes.

Senator CROLL: You anticipate that will be the amount of money you will realize from production within a normal year?

Mr. KNORST: Yes, a normal year, complete production as achieved.

Senator CROLL: But you are not at that stage yet?

Mr. KNORST: No.

Senator CROLL: Am I to assume from that, that everything being normal, by June of 1963 something in the neighbourhood of \$15, \$16 or \$17 million in foreign exchange will have come into this country?

Mr. KNORST: Yes.

Senator LAMBERT: Do you think your future operations are sure, bearing in mind the pressure of water?

Mr. KNORST: No. This is the best-known method of controlling it at the present time, and we hope it will do the trick, but there is no guarantee it will. There is a guarantee engineeringwise; they say nothing will disturb this.

Senator LAMBERT: What will the uncertainty depend on?

Mr. KNORST: From a layman's point of view, if the freezing that has taken place is allowed to dissolve it will create a lot of water. They are also grouting with cement, and if the cement holds and if the contingencies we are contending with are the only things they have to contend with, it will hold. That is an example, but there is no guarantee.

Senator PATERSON: You have to encounter some of the same difficulties they had at Unity, near Saskatoon?

Mr. KNORST: Yes.

Senator PATERSON: Every effort was made to overcome the same thing up there.

Senator PEARSON: Which oil company wanted to work on potash deposits down at Moose Jaw?

Mr. KNORST: I imagine that every export producing company would be interested.

Senator PEARSON: They are a long way west of your group here now. This is a new field entirely.

Senator MCKEEN: Is there any other way of mining potash? Will they handle it through quicksand here?

Mr. KNORST: My experience is that they do in Europe.

Senator MCKEEN: It is successful there.

Senator BAIRD: What actually do we get out of it? Is it the labour?

Mr. KNORST: Speaking Canada-wise, there is the labour.

Senator BAIRD: Is that money not deposited in the United States?

Mr. KNORST: Probably a good portion will be, but a large portion goes to Canada, in expenses.

The CHAIRMAN: I suppose the answer is that if we did not have this product in Canada, we would have to use some of our own currency to buy it elsewhere.

Senator BAIRD: Definitely.

Senator PATERSON: I am all for competitive rates and competition between railways, being an old-timer from western Canada, and I heartily agree with the application.

Senator CONNOLLY (*Halifax North*): Did I understand the witness to say that he is only a transportation man?

Mr. KNORST: A transportation man wears many hats, but I am a transportation man.

Senator CONNOLLY (*Halifax North*): I thought it was an extremely modest statement. He is as good as any witness we have heard before the committee, and he climaxed it by smiling.

The CHAIRMAN: I am sure I am expressing the wishes of all members of the committee when I thank Mr. Knorst for his presentation.

Mr. KNORST: Thank you.

The CHAIRMAN: Does the committee wish to hear further witnesses or are we ready to go straight to the bill?

Shall section 1 carry?

Carried.

The CHAIRMAN: Shall section 2 carry?

Carried.

The CHAIRMAN: Shall the title carry?

Carried.

The CHAIRMAN: Shall the preamble carry?

Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

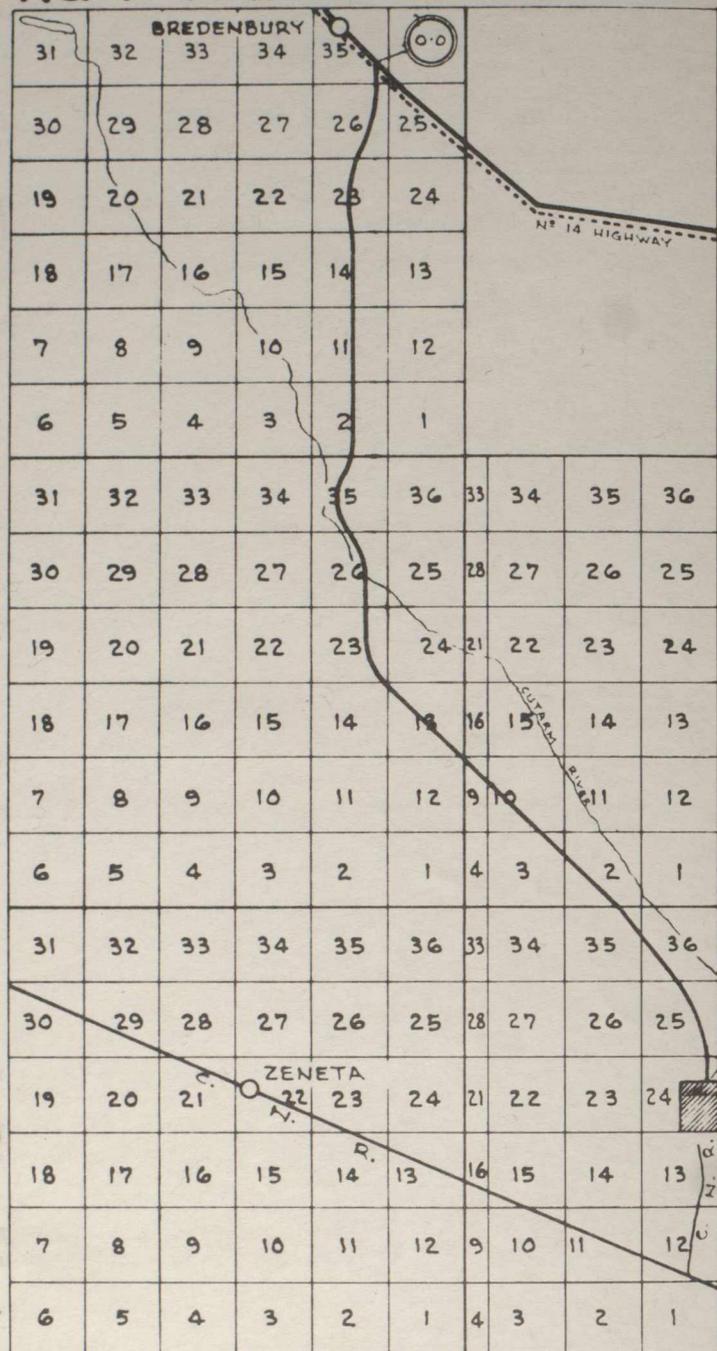
The committee adjourned.

RG. 1 W 2 M RG. 33 WPM

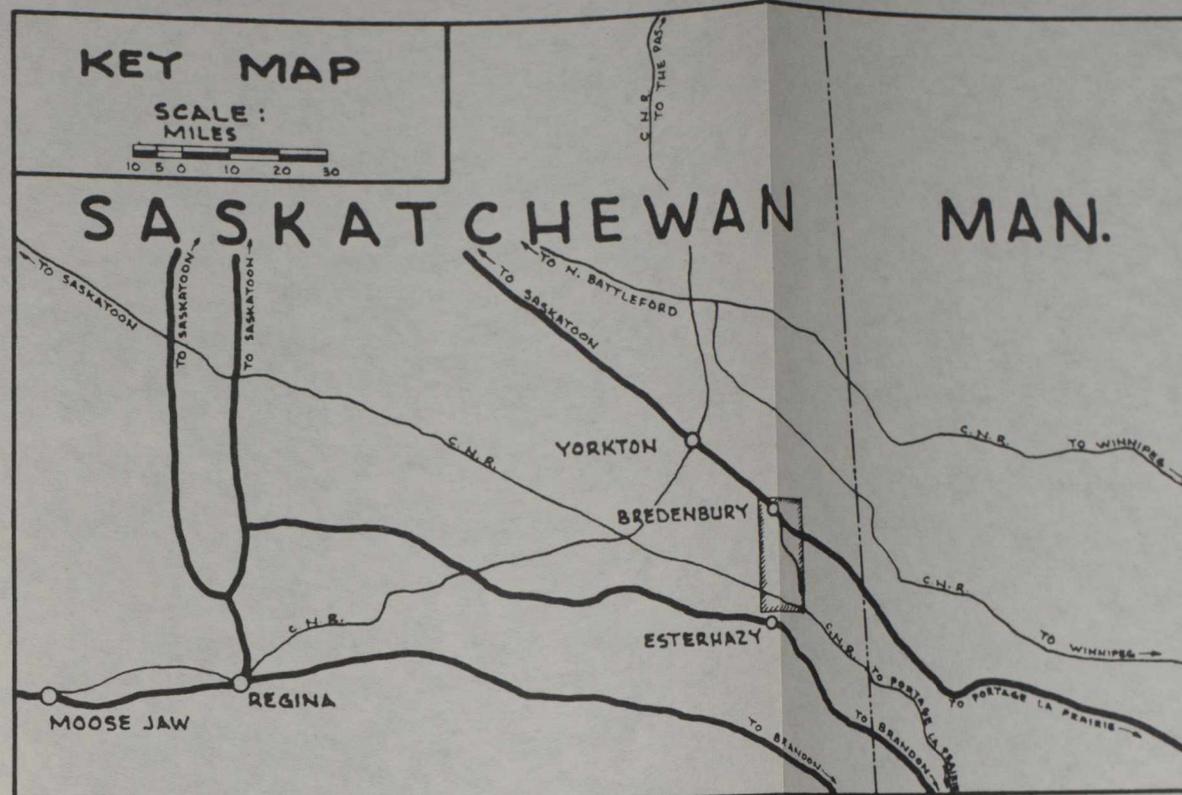
TWP. 22

TWP. 21

TWP. 20



15.5
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CANADIAN PACIFIC RAILWAY COMPANY
SASKATOON DIVISION

PLAN OF APPROXIMATE LOCATION OF THE BREDENBURY SOUTHERLY BRANCH LINE

FROM
S.E. SEC. 35, TWP. 22, RG. 1, W 2 M.

TO
N.E. SEC. 24, TWP. 20, RG. 33, WPM

MILE 0.0 - 15.5
SASKATCHEWAN

NEW LINE: —

SCALE: 1/2" = 1 MILE OCT. 4, 1962
REVISED AUG. 6, 1962
JUNE 29, 1962

