



# The Yukon Legislative Assembly

---

Issue No. 1

24th Legislature

---

## SPECIAL COMMITTEE ON FOOD PRICES **HEARINGS**

Tuesday, September 1, 1981

Chairman: Doug Graham, M.L.A.

## **SPECIAL COMMITTEE ON FOOD PRICES**

**CHAIRMAN:** Doug Graham, M.L.A.

**MEMBERS:** Peter Hanson, M.L.A.

Tony Penikett, M.L.A.

Missy Follwell  
Clerk to Committee

Wynne Krangle  
Committee Researcher

Expert Advisor: Dr. Peter Dooley, Department of Economics and Political Science,  
University of Saskatchewan, Saskatoon.

### **WITNESSES:**

Diane Oppen, Survey Co-ordinator, Economic Research & Planning Branch

Tom King, President and Chief Executive, White Pass & Yukon Corporation Limited

Tom Mickey, President, Yukon Transportation Association

John Russell, Manager, Yukon Freight Lines

Tuesday, September 1, 1981

**Mr. Chairman:** Good afternoon ladies and gentlemen. First of all, I would like to welcome you to the first hearing of the Special Committee on Food Prices. I would like to introduce the members of the staff and the Committee Members. On my far left we have Wynne Krangle, the Committee researcher; next, Mr. Tony Penikett, MLA for Whitehorse West, a Committee Member. On my immediate left I have Dr. Peter Dooley who is a Professor of Economics at the University of Saskatchewan. Dr. Dooley is also author of a book called *Retail Oligopoly* which is a study of the grocery trade on the prairies. Dr. Dooley will be serving as an expert advisor to the Committee during these hearings. On my immediate right is Mr. Swede Hanson, the MLA for Mayo, also a Member of the Committee. On my far right we have Missy Follwell who is the Committee Clerk.

The terms of reference for the Special Committee on Food Prices, as set out in a motion before the Legislature last year, is: THAT the Committee investigate existing marketing practices in Yukon at both the wholesale and retail levels and report and recommend means by which retail and wholesale price spreads between Whitehorse and Vancouver and between Whitehorse and Edmonton may be reduced;

THAT the said Committee have the power to travel within and outside of Yukon to discuss food cost differentials with food wholesalers and retailers operating in Yukon.

It has been our observation that over the last ten years there has been roughly 100 percent increase in the retail cost of food in this Territory. These increases are due to a number of factors, the primary one is probably inflation. There is very little that we as a committee will be able to do to influence the inflation factor; however, as we shall hear shortly, there has been roughly a 20 to 30 percent differential in food prices between Whitehorse and Vancouver and Whitehorse and Edmonton, and an even larger differential between the major southern centres and smaller Yukon communities. This price differential, along with the problems of quality of food items and availability of some food products, are some of the main areas which the Committee shall investigate during these hearings.

What we hope to accomplish are three things: first of all, what are the facts concerning the various items such as cost, availability and quantity of food in the Territory. Secondly: is there anything that we can do to correct any of the problems that we find associated with the food industry in the Territory. And finally, we will be making recommendations as a Committee to the Legislature, hopefully in the fall, with respect to some of the things that this Government should be doing to improve the position of the consumer in the overall food industry operating in the territory. These are some of the things that we hope to do.

We will be calling witnesses over the next four days. The first expert witness whom we wish to call before Committee is Diane Oppen, the Survey Coordinator with the Economic Research and Planning Unit of the Government of the Yukon Territory.

We would like to thank you for attending today, Ms Oppen. We have some questions we wish to open the hearings with to perhaps give us a little background on how the food industry has been operating over the last few years in the Territory.

**Mr. Penikett:** We have, as you know, a mandate to principally investigate the discrepancy between food prices here and in the south, the two points, Vancouver and Edmonton mainly. We will be interested, in the course of these hearings, in establishing reasons for that discrepancy and the various popular ideas about the cause of them, whether it is freight or profiteering or energy costs, or labour costs, or whatever.

In order to put these hearings in context, we have asked that you appear today because the Government of Yukon, principally your office, has been surveying prices for the last few years. I wonder if you could briefly begin for us by saying how long these surveys have been going on, and telling us some-

thing about, not only the type of survey, but perhaps later we can get into the methodology, too.

**Ms Oppen:** We have been collecting the food prices in Yukon since 1976. In June of 1976 we collected prices in Watson Lake and Whitehorse and Dawson City to compare to the cities of Edmonton and Vancouver. Early in 1978, we began collecting prices for a different purpose in six other Yukon communities as well. It was just to monitor the prices within that particular community over a period of time so it did not establish what the prices were to begin with and we could not compare them to Edmonton and Vancouver because of the lack of goods within that city. We felt that it was not comparable material. After 1976, we continued to monitor the price differential between Edmonton and Vancouver on an annual basis within the major communities of the Yukon, in Whitehorse, Watson Lake and Dawson.

**Mr. Penikett:** In a minute I am going to ask you what you have observed in your monitoring and about some of the trends and some of the findings. You have indicated that there were really two kinds of surveys you have done; the spatial price survey and the temporal price survey. We have been having these a long time now and in case there is anybody who is still confused about the difference or the purpose of the two surveys, I wonder if you could describe exactly what those two different surveys tell us.

**Ms Oppen:** Certainly. We have selected a basket of goods which is basically a subset of the goods surveyed in Edmonton by Statistics Canada for the Consumer Price Index. That subset of goods is essentially used for both of the surveys, the temporal survey and the spatial survey. There were approximately 100 items included in that basket of food products until June of 1980 when it was expanded to about 125.

The goods in this basket are selected through the Family Expenditure Survey conducted by Statistics Canada on a continuing basis. What they established through that Family Expenditure Survey is the amount of money that individual families spend on each individual item in the basket. That establishes a waiting factor for each item in the basket of goods so that we can apply how much of a family's income is spent on each item.

The two types of surveys mentioned, the spatial and the temporal surveys, were essentially the same basket of goods; the difference in the two surveys is the methodology used in editing the material.

I will start with the spatial price survey which shows a difference in the price of these products between cities at one particular point in time. What that means is that the basket of goods does not have to remain constant over a period of time; it is a slightly flexible basket of goods. The basis of that survey methodology is to produce identical brand and size matches of the product so that we are not comparing apples and oranges or one type of canned beans to another type of canned beans. That is really the basis of the spatial survey.

We establish a percentage difference between these two prices in Whitehorse and Edmonton and then apply the waiting factor that has been established by the Family Expenditure Survey to that product. This waiting factor establishes — this is just fictitious — but a 10 cent increase in the price of milk has a much greater effect on our budget than perhaps a 10 cent increase in the cost of cottage cheese, simply because a lot more of our money is spent on the milk product and that is established in the Family Expenditure Survey.

The temporal price survey shows a change in prices over a period of time simply within a community. It does not establish where the prices were to begin with. It simply establishes the change of prices within a community over a period of time. The difference in that methodology from the spatial survey is that you require a constant basket of goods but within that basket you can use varying products depending on what is available within the community. Of course you do have to compare iden-

tical sizes of food brands.

This is basically what we have been doing since 1976. We feel that the real progress that has come about is that Statistics Canada is now doing a pilot project in the consideration of developing a Consumer Price Index for Whitehorse, hopefully by 1982. We are also involved in the intercity price survey which Statistics Canada does which I think is very beneficial.

**Mr. Penikett:** Later on there may be some detailed questions that I want to ask you about the methodology: where it was developed and so forth, but the most critical question has been the findings since a lot of the heat and light of this issue has been derived from the publication of your results.

Let me ask you first about the spatial price survey. Could you review for us, in the period since you started in 1976 up until now, some of the major findings about the spread.

**Ms Oppen:** I feel the findings have been fairly consistent. There has been some fluctuation within the difference in prices. Between Whitehorse and Edmonton, the variation in these five years for which I have historical data fluctuates between 30 and 35 percent difference in prices up until June of 1980 when they decreased to approximately 26 percent difference in prices. There could be varying reasons from our methodology for that reason, one being that the basket of goods was expanded at that point.

**Mr. Penikett:** Is that a suggestion that there might have been an error in the composition of the previous basket?

**Ms Oppen:** No, it does not. It is just that there was a change. The Family Expenditure Survey that Statistics Canada does, is done over a five year period introducing a new set of weighting factors each five years. In that, the dollars spent according to the income of the family may change and this might have some effect.

**Mr. Penikett:** Will that change make year-to-year comparisons, going back a few years, impossible?

**Ms Oppen:** With a lot of editing you can still do the comparisons.

**Mr. Penikett:** You have given an indicator of the spread between Whitehorse and Edmonton over the last five years. I might ask you if you would do that for Vancouver, but I would also like you to go through some of the other communities you have been surveying.

**Ms Oppen:** The differential between Whitehorse and Vancouver has been consistently lower than the differential between Whitehorse and Edmonton. Again the lowest was in 1980 when it was slightly lower than 20 percent I believe. Between 1976 and 1979 it varied between 25 and 30 percent difference.

Watson Lake and Dawson City are the two other Yukon cities where we do make comparisons with Edmonton and Vancouver. I might identify one of the problems being that there are not nearly as many food products in those two communities as we have in Whitehorse and there is certainly not the variety, so the information that we have on those two cities to compare is not nearly as expansive as we have in Whitehorse.

There is a slightly different trend in Watson Lake. The differential between Watson Lake and Edmonton and Watson Lake and Vancouver has been on a consistent rise since 1976 to 1978. We have no longer compiled the information for the last two years simply because we felt that there was not enough data to present it on the same basis as we do for Whitehorse. There are far fewer products. In those three years when we did make comparisons, the differential was on a consistent rise.

Dawson City, compared to the two major cities, fluctuates quite a bit over the four years but has always been substantially higher than the differential in Whitehorse and Watson Lake. They vary between about 36 percent up to 65 percent in 1979.

**Mr. Penikett:** Could we just talk a little bit about the temperal trends. Perhaps you could start with Whitehorse again and then discuss the other two communities up to the point where you stopped doing it anyway, in the case of Watson Lake.

**Ms Oppen:** I do not have percentages right in front of me

but I know the general trend has been on an annual basis. The price increases in Edmonton and Vancouver have been fairly consistent and the Whitehorse prices are increasing approximately the same amount. What is does not tell you is whether it relates to the same products, because we do not compile the information for Edmonton and Vancouver on a bi-monthly basis like we do for Whitehorse. We simply use the Statistics Canada figure in the Consumer Price Index for Edmonton and Vancouver, so it is not our information.

The temperal survey does not tell you what the prices were at any point in time. It simply gives the trend over a period of time. It seems to be fairly consistent with Edmonton and Vancouver. Perhaps it takes a bit more time for Whitehorse to catch up with the trend, so in the next bi-monthly survey our percentage difference over the three months may be different from Edmonton and Vancouver.

**Mr. Penikett:** You may wish to say something further about your trends, but as the person responsible for developing this information, let me ask you about the extent to which you are confident in your own findings. Let me refer you to one figure, for example: the 65 percent differential between the Edmonton price and the Dawson City price that was shown in 1979. You have touched on some of the reasons why you have not continued to do a survey there, but are there reasons why you might be less than absolutely confident and that you would not be prepared to die by those numbers?

**Ms Oppen:** Well, I personally feel that the number of identical quotes that we can get between Dawson and Edmonton and Vancouver are far too small to say that 65 percent is most definitely—

**Mr. Penikett:** What would your margin of error be if you had to guess?

**Ms Oppen:** I do not feel that there is an error built into it. I feel that the basket of products that we are including in that percentage is not large enough and that is simply because things are not available. Also, in June of each year when we establish our trends, perhaps it is a very seasonal portion of the years so the fruits and vegetables that are available at that time of year may not be available in the winter months. I am very confident in the material that we use in Whitehorse; it is certainly very good data on a large variety of goods, but I feel that the basket of goods in Watson Lake and Dawson City is not quite large enough.

**Mr. Chairman:** Would you say that there is a possibility of a 15 or 20 percent variation in Dawson City, so instead of 65, perhaps it is only 45 or it could go as high as 80.

We are trying to establish some kind of a guideline.

**Mr. Penikett:** With respect, Mr. Chairman, I think what Ms Oppen was just saying is that she felt confident about the 65 figure, but the problem is how representative the basket may be from time to time over a period of a year. It is meaningless to compare fruits and vegetables that may not be available in Dawson in the winter.

**Ms Oppen:** It was simply a statistical figure at the time we made those matches and I would not want to try to make any estimation of what has happened the rest of the time.

**Mr. Penikett:** Let me change the topic here a little bit. Your department also has some general figures on the volume of retail trade in food and some figures about income in the Territory; I wonder if you could provide those to the Committee. They will have a bearing when we get into the complicated questions which we must face later about the percentage of family income spent on food and so forth. Could you tell us what you have now? Other Members of the Committee may have some detailed questions on what you have already given us.

**Ms Oppen:** That is slightly out of my area, but what I do have is the value of the food trade within Yukon since 1976. I do not have any income figures with me. The figures that I have are all compiled by Statistics Canada.

**Mr. Penikett:** We have those available to us. They are in the public reports in your office anyway.

Would you care to read the retail trade figures from 1976 into

the record?

**Ms Oppen:** In 1976 - \$12,419,000.00 for the food group in Yukon. The 1980 figure was \$14,806,000.00.

**Mr. Penikett:** Thank you, Ms Oppen. Those are the general questions I have.

**Mr. Chairman:** Mr. Penikett, would you like to see the graphs and the charts given to us entered into the official record?

**Mr. Penikett:** I would like to move that the five documents provided to the Committee by the Economic Research and Planning Unit be appended to the record and I would so move.

**Mr. Chairman:** So moved.

Thank you very much, Ms Oppen.

As a second witness we have Tom King who is the President and Chief Executive Officer of the White Pass and Yukon Corporation Limited.

Thank you very much for coming, Mr. King; we appreciate it.

I think it should be pointed out that all of the witnesses are appearing on a voluntary basis and the information given has been compiled by the witnesses, again on a voluntary basis and we would just like to, for the record, express the Committee's appreciation for the work that you have put into appearing.

Mr. King, what we have done is determine which Member of the Committee will lead off the questioning and then the others will throw in the odd question if something is not clear in their minds. I will be leading off the questioning on the White Pass Corporation.

What I would like to start with is some kind of a short history, if you can, of the White Pass involvement in the food industry in the Yukon. I realize that some years ago White Pass was virtually the only transportation corridor into and out of the Yukon. Perhaps we can start at that point in time. Just give us a brief history of what the White Pass' involvement in the food industry has been.

**Mr. King:** Well I brought a few numbers that indicate what the volumes are. To the end of 1979, we handled 9,663.2 tons of groceries on our marine/rail with very little of that volume being brought in by truck. To the year-end 1980, our volume was 3,604.9 tons and to the end of July of this year it is 1,369 tons.

Now I suppose we should name some names. In 1979, because of economic circumstances, we had to curtail the operation of one of our ships. Initially we reduced it from a seven day sailing to a ten and a half day sailing and we soon learned that the economics still were not there to provide a ten and a half day sailing. The volume was insignificant so we went to a further fourteen schedule, and it was at that time that the major supplier of wholesale foods, Kelly Douglas, called me and said that we had about two days to get back to a seven day schedule which was impossible for a number of reasons.

Their argument at the time, which was valid, was that the high cost of inventory was causing them to lose a lot of money, or at least it caused them considerable expense and therefore they were going to have to seek a faster means to get their traffic into the Yukon. We countered with a proposal that we would truck the merchandise in because we had operating authorities to haul it in and we had done that. In 1969 we hauled produce and groceries in for Kelly Douglas by truck from Vancouver and returned with asbestos from Cassiar, British Columbia.

In any event they said that they had a carrier that would bring the merchandise in for them. They eventually moved to the carrier by road and we followed up with several meetings in Vancouver and approached their company and gave them reduced rates on the volume shipments and countered with the argument that every second week our service would be equal to road service. That is, that we would pick up on Thursdays in Vancouver and deliver on Monday or Tuesday in Whitehorse. That would be equal in service to what was happening over the road, and it would be simply far cheaper. For some reason that was not acceptable to Kelly.

We also suggested to them that the slower traffic such as the

full loads of dog food and what have you, did not need, in our opinion, that expedited service at the higher cost and we held that service available to them.

As I said, we have not been successful and we are still very aggressive in attempting to recover that business, whether by road or by marine/rail. At this time we haul a limited amount of foodstuffs into the Yukon. From the numbers I gave you, Kelly Douglas was the largest supplier with approximately 7,000 ton in 1979, seven of the ten.

**Mr. Chairman:** As you probably know, there has been a great deal of speculation about the high cost of food in the Territory. I have heard several allegations that the largest single reason why food prices in Whitehorse are 25 or 30 percent higher than they are in Vancouver and Edmonton is transportation.

One of the things that we would like to try to establish is whether or not transportation costs really do make that much difference in the cost of food between Vancouver, Edmonton and Whitehorse. What we are going to try to do is establish some method of determining, or if you can determine for us, the value added to a shipment through your transportation system. Now, I realize it is not going to be exact and perhaps for different classes or different kinds of food, it will be different. Let us take an example for something such as canned dog food.

**Mr. King:** What I would like to suggest is those questions that I cannot answer I am prepared to return with the answers because I do not want to start pulling numbers out of the air and cloud any of this. I do not have numbers like that here. That is a complex tariff matter and I would want to be sure so if you wanted to give me some items or if you had some ideas —

**Mr. Penikett:** Mr. King, I certainly do not have the intelligence or the patience to be able to analyze the tariff in detail on this item or that item. I think that part of the popular mythology of the Territory is: whenever you are talking about high prices of anything, anywhere, it is the freight, and your company has probably carried the can for that more than anybody. We are interested in trying to establish the real causes without getting into specifics on individual items. I think that the big question Mr. Graham asked is the one we would like to get some information about. How much does it increase the cost here? What does freight add to the price?

**Mr. King:** I have not looked at it on that basis. I could give you a number. For example a container load of groceries would be about \$1,100.

**Mr. Chairman:** That is the cost for freighting it up here?

**Mr. King:** That is right. This was the last quote on volume shipments that we gave Kelly Douglas. If you are looking at twenty ton in that container, 40,000 pounds, you can work that backward and come up with a per pound figure. I believe it is less than three cents.

**Mr. Chairman:** Per pound?

**Mr. Penikett:** Mr. King, if you are going to move that container do you have to insure it.

**Mr. King:** Insure it?

**Mr. Penikett:** Yes.

**Mr. King:** Well in essence, we are self-insured. That is, if we lose the container, we are responsible for the value of the merchandise.

**Mr. Penikett:** Let me explain my real question. Would you have any idea what the container of food such as you just indicated would be worth?

**Mr. King:** No.

**Mr. Chairman:** At the present time, is your ship/rail the cheapest form of transportation from Vancouver to Whitehorse?

**Mr. King:** Yes, very definitely.

**Mr. Chairman:** I understand you are still operating on a fourteen day turn around.

**Mr. King:** That is right.

**Mr. Chairman:** You have not decided to change that in the last while.

**Mr. King:** We would like to. We need more volume.

**Mr. Chairman:** You need more volume to change it?

**Mr. King:** That is right.

**Mr. Chairman:** What portion of the total grocery business in the Territory do you think you now bring into the Territory on your marine/rail method of transportation?

**Mr. King:** I would think five to ten percent. Ten would be high. It would probably be closer to five percent of the total volume.

**Mr. Chairman:** The next obvious question is: who hauls the rest of it?

**Mr. King:** It is a combination of Zenith and Arrow.

**Mr. Chairman:** They haul the vast majority.

**Mr. King:** That is right. Zenith was just granted operating authority by the Government three weeks ago or so.

**Mr. Chairman:** Formerly Zenith was hauling into the Territory under Arrow's authority?

**Mr. King:** Under Arrow's authority.

**Mr. Chairman:** Do you have any idea how Arrow operated? What was their method of getting the food to the Yukon?

**Mr. King:** They simply load trailers in Vancouver and bring them to the Yukon, deliver them and then pick up asbestos on the south bound trip from Cassiar.

**Mr. Chairman:** So they were going straight by road.

**Mr. King:** All of the groceries coming into the Yukon, or the majority with the exception of the five percent we are bringing, are moving by highway.

**Mr. Penikett:** That is in spite of the fact that you could offer a cheaper alternative. We are curious as to the reasons for that.

**Mr. King:** You will have to ask Kelly Douglas.

**Mr. Chairman:** We have no doubt heard some of the reasons for not hauling with White Pass. I understand warehousing is one of the big problems, both in Vancouver and in Whitehorse. They either have to bring up enough to last two weeks, and that is a problem with the warehouse, or else they have to consolidate in Vancouver two weeks worth of foodstuffs for the Yukon. Have you thought of attempting to provide that warehouse space for them?

**Mr. King:** We, in essence, were providing warehouse space but it was not warehouse space as you know it; we were providing containers. To my knowledge, on some sailings we had a high of 65 containers sitting in Whitehorse waiting to be unloaded because they had congestion in their warehouse, or there was overtime problems or whatever. In essence, it was a spare warehouse for them because those were containers we could not use and they would accumulate to that level. That is a pretty significant volume of containers. Now that is the extreme that I was aware of on a couple of occasions.

**Mr. Chairman:** What was the highest amount of freight you ever, let us say in a year, hauled into the Territory for Kelly Douglas?

**Mr. King:** The volume used to run around 10,000 ton, eight to 10 thousand tons is my information, on an annual basis yes.

**Mr. Chairman:** Now it is down to 1,000.

**Mr. King:** Now it is down to, I think, 240 ton so far this year. It is 240.9 tons in seven months.

**Mr. Chairman:** I would imagine that you not only haul into the Territory but you transport Kelly Douglas food from Whitehorse to various points in the Territory, is that correct?

**Mr. King:** Yes we do.

**Mr. Chairman:** Where else do you haul?

**Mr. King:** Primarily to Faro.

**Mr. Chairman:** Nowhere else really?

**Mr. King:** Well we do haul to United Keno Hill Mines; I think they buy from Kelly Douglas. We haul some to Dawson City, Mayo et cetera, but very, very small amounts.

**Mr. Chairman:** You mentioned Faro, and I have a little note here to enquire about the Faro situation because I understand you are currently having some problems with other truckers who cannot now haul into Faro because of an arrangement that you have made with the mine.

**Mr. King:** No, that is not quite so. Anybody can haul to Faro.

**Mr. Chairman:** It is just that they cannot haul for the mine.

**Mr. King:** Well they can haul for the mine, but in that instance it is going to cost the mine a lot more money for their concentrates.

**Mr. Chairman:** Again, we have heard that there is a very real possibility that the arrangement between the mine and the White Pass Corporation have adversely affected the store in Faro in such a manner that the store now finds it probably is going to have to do the majority of its business with the White Pass Corporation. Is that true or not?

**Mr. King:** No, that is not so. Our contract with Cyprus Anvil is a commercial agreement, no different than Arrow's is with Cassiar or Canadian Freightway's with Cantung or Yukon Freight Lines with some of the contracts they have in Whitehorse. It only relates to the specific business controlled by Cyprus Anvil Mines.

**Mr. Chairman:** One of the other items of some concern to Yukon consumers is the quality of goods being brought into the Territory. I realize that you do not haul that much in by truck, but I would like your own observation on a few questions.

What are the drivers' responsibilities when they pick up a load in Vancouver to bring to Whitehorse?

**Mr. King:** Well, of course the primary responsibility is to get it here safely in one piece. They also have the added responsibility of temperature control. If they are perishable products, they have to make sure that the refrigeration equipment is working in summer and if it is winter, they have to make sure that the heaters are working.

**Mr. Chairman:** So if they are bringing a load from Vancouver, they stop and check it on the way up.

**Mr. King:** That is right.

**Mr. Chairman:** Then ensure that it arrives in reasonably good quality.

**Mr. King:** That is right.

**Mr. Chairman:** When you are bringing up things like, shall we say, vegetable products or produce, do you have a different charge for that truckload than you do for a truckload of canned goods?

**Mr. King:** Very definitely, because they are perishable. Firstly, the capital investment in that type of equipment is much greater. Secondly it is more labour-intensive for the reasons I just mentioned. Thirdly, the possibility of spoilage is greater and therefore your possibility of claim is greater so the cost will be higher.

**Mr. Chairman:** What percentage higher roughly?

**Mr. King:** In the industry it is common to have a surcharge of 10 percent for heated or refrigerated products.

**Mr. Chairman:** For either heated or refrigerated?

**Mr. King:** Perishable charge.

**Mr. Penikett:** If I could, Mr. King, I would like to explore a remark you made in passing about what would happen to the price of shipping ore if Faro were to bring in supplies with somebody else. You suggested a link between the rates which fascinates me. Most of the product leaving this Territory is really in your hands I would guess. You have implied a positive impact on freight prices coming in as a result of that relationship. You gave some figures earlier: \$1,100 per container of food. If you did not have all that traffic, all that business of shipping the ore out, would that make a big difference in that kind of quote or that kind of price per pound you were talking about?

**Mr. King:** If you are referring specifically to Cyprus Anvil's ore, it does not really impact on food coming in to Whitehorse. The reason for that, as it relates to Whitehorse, is because the ore moves in loaded containers from Whitehorse to Skagway where it is dumped and those containers then come back empty.

If you want to dream, and what I would like to see is if Anvil could ever develop a market — and what we have talked to them about to look at in the future, and this may never come to pass — if we could take, for example, Japanese ISO containers,

international containers that are bringing television sets into Vancouver — we will use television sets or any example like that — and then we would load those containers with general freight or groceries or whatever for the Yukon. We would bring them to Whitehorse and unload the groceries; take those same containers to the mine and load them with ore; take them back down to Skagway on the rail and on the ship to Vancouver and pass them back to that container ship that was going to Japan. Then you utilize those containers all the way around.

Now, it is not a very complex operation but it is one that requires a lot of research because I do not know the costs of a bulk freighter coming into Skagway to load ore in relation to what it might be as a backhaul rate on containers of ore from Vancouver to Japan. It is something we are talking about and looking at. In that instance it would have an impact.

What had an impact, of course, was Clinton Creek when it was in operation. The containers would be loaded in Vancouver with food products or whatever; it would come to Whitehorse; the asbestos would come into Whitehorse to be put into those containers, and then they would be loaded on the rail and on the marine operation back to Vancouver. There was really no extra cost involved to that operation because you are moving containers back anyway whether they are loaded or empty. That had a significant impact, but with the Cyprus Anvil ore moving in specialized containers to Skagway and returning on separate trains, it would not impact there.

**Mr. Penikett:** Let me ask you a more general question

**Mr. King:** Excuse me. I should just clarify that a little bit. It does impact simply because the railroad is very volume-sensitive. From that point of view it impacts, but you cannot look at it the same way as you would the Clinton Creek ore.

**Mr. Penikett:** You have, in some sense, invited yourself back with your suggestion that you can provide us with certain information and I certainly hope you will do that because I think that is a key question in the Committee coming to some decision about how much freight is to blame, if it is at all to blame for the relatively high prices here. However, without getting into numbers, Mr. King, if you were God — and there have been times in Yukon's history where your company has played, if not that role, close to it — if you had to address what you, off the top of your head, saw as the cause for this price discrepancy, or potentially even things that one could do about it — and this is the kind of question I hope to put to all of our witnesses — would you have anything to suggest.

**Mr. King:** Well, it is something we consider a great deal because it impacts on our company in a very real way. We have a high number of employees in the Yukon; they all have COLA clauses in their agreement and the cost of living, as it increases, comes back to haunt us. So we are keenly interested and that is the reason why I would like to cooperate in any way we can.

It is a very complex question and the one I think we have to ask is: what is our real income here after the smoke settles as compared to what is our real income in Vancouver? This is a very affluent society that we live in compared to other areas. The wages are high; the costs here are high, particularly heating. I think that is one that can be criticized as well. We sell a lot of product but it is a high cost.

I look at this thing from a personal point of view. When I moved here two and a half years ago, I found that food was not much different in price than we found it in Calgary. We found housing to be about 30 percent cheaper, but we found the price of heating to be considerably more coming from natural gas in Alberta to heating fuels here. The only real way that I can see that we can help this situation at all is to address the question of real income when everything is finished. It is a spiraling problem because we pay higher wages to attract good people and because it costs more to live here, and because we pay higher wages, they pay more tax and the thing just keeps going the way our taxes are structured.

If I were going to suggest anything be done, I would suggest that there be some review of the tax structure north of 60 as has

been the object of this government for some while but I think it requires a lot more pressure than we have seen for a lot more reasons.

**Mr. Penikett:** Could I just pursue that, Mr. King. That is an interesting idea, I suspect even with the best will in the world, the ability of this Committee to persuade Ottawa to do something would be small.

You suggested energy as an important component in the relatively higher costs here. That has been suggested before. Without being precise in terms of numbers, if you had to rank causes for higher costs here — let us talk about food now, not the other things you mentioned — and we were given these inputs: energy, freight, labour, volume, size of the community, however you want to describe that factor, what would you see as the most important one? Would energy be number one on that list?

**Mr. King:** No. Definitely wages is the number one. Our wages here are the highest and they are high because of these other things to some extent but they are higher for other reasons. I started travelling the Alaska Highway in 1966 — and you talk about blaming the high cost of things on transportation — and I bought a tire and it was extremely high at Mile 777 and the fellow said, "Well it's the freight." I said that I have been in this business too long and it isn't the freight. The guy said, "If I have to work here, then I'm going to make three years' wages in one." I said, "Well, you are an honest man; I can appreciate that". So, I think there is a side of it there too.

**Mr. Penikett:** That is a new definition of freight.

**Mr. King:** That is right.

**Mr. Penikett:** Just to zero in on this question, you cite labour costs as number one. You mentioned energy before, would energy be number two on a list of the four?

**Mr. King:** No, I have just been in the south and the cost of energy is about equal, or not much higher here than it is today in Vancouver and Edmonton from what I observed. Our cost of heating homes here is high, and that is because in the south they have the availability of natural gas which is considerably less, or it was when I left, than what I am accustomed to here.

**Mr. Penikett:** I am going to ask these questions of everybody, Mr. King.

**Mr. King:** I've got lots of time.

**Mr. Penikett:** I call it energy because I include the heating of homes; I do not mean just the price of gas. I gave the four factors as labour, freight, energy, and the size of the community or isolation — some factor like that. What would you put as number two if you had to rank those priorities in terms of reasons or causes for the higher cost of living?

**Mr. King:** Well, transportation.

**Mr. Penikett:** You would put freight number two then.

**Mr. King:** Oh certainly.

**Mr. Penikett:** And three, size of the market, size of the community?

**Mr. King:** That is a big factor.

**Mr. Penikett:** You would say number three on that list maybe.

**Mr. King:** Well size of the market has to do with all of these things. I was interested in the previous lady's discussion about Dawson City versus Vancouver and wondered such things as: what size of a store are you getting a comparison from in Edmonton as compared to Dawson City. In Edmonton the can of beans might only sit there for two hours and in Dawson City it might sit there for three months; you have got your investment. Transportation costs into the Yukon on a per ton basis are less, for example, than from Prince George to Prince Rupert or from Vancouver to Cranbrook. But they are high, and, again, because we are 1,700 miles from Vancouver.

**Mr. Chairman:** It is interesting you should say that because we also found the same thing. We did a couple of surveys. I think one was with Revelstoke and determined that the cost for transporting goods to Revelstoke from Vancouver was, in fact, higher, if you used the cheapest possible form of transportation. But we are not always doing that in the Territory, be-

cause, as you have stated, you are the lowest cost transportation available to us from Vancouver and we do not always use it.

**Mr. King:** My purpose in being here is not to dump on Kelly Douglas. I am sure that you will find they will give you valid reasons why they are using other truck lines. We are still going to be aggressive in attempting to get that business.

**Mr. Chairman:** What percentage difference would you charge me as a wholesaler for the exact same load of groceries from Vancouver, trucked and via marine/rail?

**Mr. King:** These are numbers that I am starting to pull out of the air, but you want an answer so do not hold me to it, but I would guess it would be more than double by truck.

**Mr. Chairman:** More than double.

**Mr. King:** By truck.

**Mr. Chairman:** So that twenty tons you are bringing up by rail for \$1,100 would cost you over 22 by truck.

**Mr. King:** Exactly. Now we are talking on volume.

**Mr. Chairman:** I understand that.

**Mr. King:** This is a customer with a lot of volume that would come in and guarantee us so many containers per sailing in lean months as well as in busy months, but it would be at least double by truck, in our tariffs.

**Mr. Penikett:** Mr. King, I may not have a chance to ask you this again. I appreciate your answers in giving me a ranking in terms of causes because that is really the final question we are after here. You did cite that labour cost is the number one cause. Can you just give me some idea, and I ask you not to be exact but within your experience in the industry, how much higher are your wage rates here than your competitors in say, the Vancouver or Edmonton area?

**Mr. King:** We are somewhat fortunate. That is a double edged sword; I will have the unions at my door next.

**Mr. Penikett:** We were hoping that they would be at this door, too.

**Mr. King:** No, we have a very reasonable contract this time with respect to the straight hourly wage rates. That is, I think our settlement was somewhere around 14 percent in the first year, 10 in the second year, and for competitive trucking operations in Vancouver that ours flow through, it was something like 20 percent or 21 percent and a lesser amount in the second year.

**Mr. Penikett:** How did the base rates compare?

**Mr. King:** That is what I am saying. Our base rates here are slightly greater but where we get into the high expense in the Yukon is in all the fringes that do not exist elsewhere, such as the airplane trips out. The price of airfare is continuing to increase which impacts on us because every family gets two trips a year or whatever; the vacation schedules with extra vacations that occur in the Yukon that are not in other labour agreements; the Health and Welfare benefits that get into the eye glasses and the teeth and these types of things that do not exist in the south to the same extent.

**Mr. Hanson:** Mr. King, some invoices were brought in to me awhile ago — and it was not your freight line but it was another freight line — where the prices were almost identical to haul a piece of freight in the Yukon 250 miles as compared to hauling that same piece of freight from Edmonton to Whitehorse. Why would there be that cost for a much shorter haul?

**Mr. King:** Volumes of freight — I cannot answer that. I do not know. I would have to look at the circumstances and the situations.

**Mr. Hanson:** Another thing that we thought we would like to ask about is: one of the claims of Kelly Douglas is that they have problems getting settlements for damaged goods on the road and quite often they do not get satisfaction from the transportation companies for these damaged goods so that is one of the high costs they have tagged into the high price of groceries.

What problem do you have with wholesalers like that? Is the problem of damaged goods settled automatically by your company?

**Mr. King:** They are not settled automatically. The first thing is that you do not want the claims so you work hard to eliminate them because it is wasted money. I have been very satisfied — actually surprised, frankly surprised at the claims ratio that exists in our company. I have not heard any complaints about it. I do not get letters from people saying that we are not settling their claims; I get letters about "we lost a suitcase".

I will give you some numbers if that is what you are looking for. The average in the industry — and this is taking motor carriers in the United States and Canada, general freight truck lines, become extremely upset if their claims ratio reaches two percent of gross revenue. The objective is to be somewhere around one percent. Our number has been under a half of a percent, so I do not see that that is a problem.

**Mr. Hanson:** Historically it has always been noted that a truck driving on the Alaska Highway gets five cents a mile more. Is that still in effect?

**Mr. King:** The trucks that drive the Alaska Highway get considerably more than five cents a mile. There was an old rule of thumb that maintenance costs ran around five cents a mile higher in the north than the south but I think today that is even much greater. We are paying, for an example, owner-operators in the Yukon \$1.10 a mile plus fuel. Fuel is running about \$.35 a mile so we are looking at \$1.45 for just a driver and tractor. We provide the licence, the insurance, et cetera. In Vancouver, we can get owner-operators that provide the insurance and the licence, including the fuel, for \$.95 a mile.

**Mr. Chairman:** That is \$1.45 as compared to \$.95?

**Mr. King:** Right.

**Mr. Chairman:** That is only the Alaska Highway. You do not pay that amount anywhere else.

**Mr. King:** No, not in the south. I am talking about a company that operates a trip-lease service. That is their business; they are just a tractor service for those carriers that need that. This is not a contract between an individual operator and a company — in our company, I am saying — this is a company that establishes itself as a per hire trip lease company.

**Mr. Chairman:** You earlier said that if we gave you some specific items you would attempt to get us some prices. If we, after this session is over this afternoon, get you the specific items we would like, we could expect you back later this week?

**Mr. King:** Yes.

**Mr. Chairman:** You do not have any problem with that.

**Mr. King:** No.

**Mr. Chairman:** We will get you the specific items that we would like.

As I said before, what we are trying to establish is the value added to a specific food item by transportation from Vancouver or from Edmonton to Whitehorse. If the item is worth \$1.00 in Vancouver — let us try a litre of milk just for the heck of it, which I estimate is probably costing about \$1.00 in Whitehorse at the present time — what we would like to determine is: how much of that dollar is attributable directly to freight?

**Mr. King:** I can get you those numbers.

**Mr. Chairman:** We will get you some items that we wish to compare directly.

**Mr. King:** It would also be beneficial if you would tell me in what volumes you are shipping.

**Mr. Chairman:** That is no great problem; we can work that out.

If there are no other questions — We appreciate, very much, your coming and we definitely will be in contact with you this afternoon at some time.

*Recess*

**Mr. Chairman:** I will call Committee back to order.

Our next witness, representing the Yukon Transportation Association, is the president of the Yukon Transportation Association, Mr. Tom Mickey.

I would like to start off, Mr. Mickey, by thanking you for coming, on behalf of all the Committee Members. What we will be doing is: one of the Committee Members will be leading off



with a series of questions and if either of the other Members have any questions they would like to ask you, they will break in at some point in time and ask you questions.

I will start off with a few questions. We just heard from Tom King, the president of White Pass, that truckers are compensated somewhat more per mile on the Alaska Highway as compared to highways in the south. What is your experience with the transportation industry in that area?

**Mr. Mickey:** Are you speaking of wages or owner-operators?

**Mr. Chairman:** Let us start with owner-operators and perhaps we can go into wages later.

**Mr. Mickey:** Owner-operators are paid a higher rate in the north than they are in the south.

**Mr. Chairman:** Can you give us a rough idea of what the difference is?

**Mr. Mickey:** I do not normally know what the rates are south of here but they are probably at least 25 percent less than they are up here.

**Mr. Chairman:** In the Territory?

**Mr. Mickey:** Yes.

**Mr. Chairman:** I believe the figures that Mr. King gave us were roughly \$1.45 with fuel in the Territory and somewhere in the neighbourhood of \$.95 in the south. Does that sound reasonable?

**Mr. Mickey:** It would even be around 30 percent.

**Mr. Chairman:** We also were kind of interested in the responsibilities of truck drivers in regard to the load they are carrying. The things that we were kind of curious about were: do they check the loads they are carrying; are they responsible for ensuring the quality if it is a load of produce?

**Mr. Mickey:** When a truck leaves a yard, the driver is boss right then. The minute it is out of sight, he is boss. He is in complete control of the unit and naturally it is up to him to ensure that things are operating. The drivers are professional and he is supposed to look after these things.

Now, in the case of where you speak of produce, about the only thing he can do is: number one - ensure that it was loaded properly to begin with, if he has any control over that; number two - usually it is temperature controlled and he will have to keep track of the temperature of it. He has usually got 40,000 pounds, and in order to make any changes, it is just about an impossibility except where the doors are. You just cannot get in there and move a load if you had to.

**Mr. Chairman:** During a survey that we did previous to the Committee actually getting underway, one of the things we found was that people complained a lot about the quality of things such as produce that was shipped to the Territory. One of the questions that automatically comes to mind: is it a fault of the transportation businesses hauling that freight up the highway or is it a result of the terrible condition of the Alaska Highway or the Stewart Cassiar Highway, or is it just because the drivers do not care and do whatever they please in getting the load here? Do you have any opinions?

**Mr. Mickey:** I do not think it is any of those reasons. Usually when produce comes off a truck, 90 percent of the time it is one of two ways: it is either rotten or it is good. If it is rotten, there is usually a reason. Probably it left rotten, but if it is good, it is usually really good and it gets into a warehouse but there is other stock that has to be sold first. There is other stock that is already in the stores. Sometimes the better produce goes to the outlying communities. I do not think it is in the transportation end of it.

**Mr. Penikett:** To the extent that Mr. Mickey can speak on behalf of the local industry, I would be interested in knowing what he feels are the causes of the higher cost of living here. You started off by discussing these mileage rates, the \$1.45 versus \$.95. If you can, I would like you to talk a little bit about a break down on that but first if you would be willing to venture an opinion from your point of view in the industry, of the higher costs of living and food here, would you have any strong views about whether freight was primarily the reason or whether it

was energy costs or labour costs or the small volume here in this market. Would you have any opinions on those things or would the industry have any strong views on those things?

**Mr. Mickey:** Well, my personal opinion: I have lived in the north for probably 16 years now and ever since I came north, I have always heard that it is the freight that has caused the high prices. No matter what it was it was the freight. Freight certainly plays a part in it because if you have something in Vancouver and you have to get it to Whitehorse, somebody has got to pay to bring it. If it is a bag of spuds, today, it might cost you \$20.00 to get that 100 pounds of spuds here. If it is a box of Cornflakes, it is not going to cost you \$20.00. It should not cost you \$2.00, but somewhere in there it is going to cost to get it here. The businessman who lives in the north and has to pay the higher electricity, the higher fuel, the higher cost of operating a business, the higher cost of building buildings, of acquiring land - all of these things enter into it. Plus there is always the possibility that the people who live in the north sometimes make a little better living than people who live in the south because maybe there is not quite so much competition here.

**Mr. Penikett:** Let me ask you to zero in on that. You cited three reasons: local costs, energy was one of them, fuel, all that kind of thing. You touched on a possibility of wages, the last thing you gave and then you began by talking about freight. Of those three reasons you gave, which do you think is the most important reason?

**Mr. Mickey:** Suppose you are comparing us with Vancouver, their cost of heating down there is nothing compared to the cost of heating here in the winter time.

**Mr. Penikett:** You would put that as number one, would you?

**Mr. Mickey:** If I was looking at Vancouver-Whitehorse. If you are looking at Vancouver-Edmonton, they have roughly the same conditions that we have when it comes to heating except that their product to heat with is cheaper.

**Mr. Penikett:** A little closer at hand.

**Mr. Mickey:** Yes, quite a bit closer at hand.

**Mr. Penikett:** What would you put as the least important of those three reasons? You give energy as number one and you have freight and labour costs.

**Mr. Mickey:** I would put freight at the bottom.

**Mr. Penikett:** As the least important reason?

**Mr. Mickey:** The least costly reason.

**Mr. Penikett:** Having said that, Mr. Mickey, let me go back. We talked about the \$1.45 rate as compared to the \$.95. From the point of view of the industry, could you give me some idea of the reasons for that spread, that difference?

**Mr. Mickey:** Number one: you are talking there of a lease-operator, an owner-operator where you hire his tractor. Number one is that fuel costs quite a bit more than south of here. His insurance quite probably costs more. In fact, there are some insurance companies that will not cover truckers in the Yukon. Those are two things right off the bat. Drivers' wages up here are higher; therefore if the owner-operator is going to go into the investment of a truck, he is certainly not going to work for less than if he was working for wages. Those are about three of the major reasons for it being higher.

**Mr. Chairman:** We did hear in the last couple of days of a couple of large-scale accidents involving trucks in the Territory. Do you find in the transportation industry in the Yukon that there are more accidents per mile on gravel roads than there would be in the south on pavement?

**Mr. Mickey:** There does not appear to be more, but there are so many fewer miles travelled here. I would think there are fewer accidents up here. It seems that when there is one accident, there is a rash of them. There is not only one, there will be two or three all of a sudden, but I think that the safety record for trucks in the Territory is good.

**Mr. Penikett:** From your experience, since the Alaska Highway does have a rough reputation, how does our road system in the Territory compare with the kind of situation in which the truckers have to operate in the south? Before we get

into that, you talked about, from your point of view in the industry, freight being the least important of the three reasons we talked about. Yet, the lease operators, for the reasons you gave, operate at a fair number of percentage points above the similar rate in the south. Could you give me any kind of numbers in terms of why you think freight is not the most significant factor?

**Mr. Mickey:** I used the example that in order to get a bag of spuds up here it is going to cost you \$20.00 because it is a hundred pounds. It is a heavy item, and that is where you really notice freight. You will notice it on flour and on canned goods. You do not notice it so much on the lighter items, but that is pretty well a fixed cost. If you are ordering a 100 pounds of potatoes from Vancouver or Edmonton, and you know what they cost in Edmonton, and you know it is going to cost you \$20.00 to get them here, you know what they are going to cost you here. Local markup is a different thing; it has nothing to do with transportation. Once they land here, then the markup is added, and we have no way of knowing what that is.

**Mr. Chairman:** I would like to get back to the methods of getting goods from Edmonton or Vancouver to Whitehorse. Mr. King from White Pass was here just before you. He tells us that the cheapest possible method of transportation from Vancouver to Whitehorse is via marine and rail. I am curious. Of the other two, the Alaska Highway and the Stewart-Cassiar Highway, which, in your experience, is the cheaper route?

**Mr. Mickey:** I would not think they would be much different.

**Mr. Chairman:** Who now uses the Stewart Cassiar Road?

**Mr. Mickey:** I think most trucking companies use it because, first, it is one hundred miles shorter to Vancouver, and second, with the exception of a certain time of the year, it is just as good, if not better than the Alaska Highway. Mind you, the Alaska Highway is a far cry from what it was 15 years ago. It has improved vastly over a number of years.

**Mr. Chairman:** You also talked about competition. We are in no position to determine whether or not there is sufficient competition in the trucking industry from southern points to the Yukon. In your opinion, are there sufficient carriers now to give us a good quality of competition among carriers, such as White Pass, Arrow, Zenith, Yukon Freight Lines.

**Mr. Mickey:** You have named four. There are probably five or six, and any time that you have more than two, you have competition.

**Mr. Chairman:** How about licencing? In your experience with the Transportation Association, has this been a problem with truckers?

**Mr. Mickey:** Licencing is a problem at all times with truckers.

**Mr. Penikett:** Explain.

**Mr. Mickey:** We are regulated by the different territories and provinces, and in order to get a licence, one must appear before a board. The first thing that they ask you to prove is public need and necessity. If there are two companies opposing your application who come in and say, "We have enough equipment to do the job," or "We can purchase enough equipment to do the job," then how does one prove public need and necessity?

**Mr. Penikett:** If you have finished on that ground, Mr. Chairman, I would like to shift a little bit. Mr. Mickey has offered some information to the Committee that suggests that the cost of moving freight from Edmonton to Yellowknife is an awful lot cheaper than moving freight from Edmonton to Whitehorse. Could you offer some comments on the reasons for that — one, if it is true, and two, if there are any reasons for it in terms of the conditions of the roads or the type of freight costs, or perhaps lower wages in that market to the east.

**Mr. Mickey:** I cannot comment because I have never been involved in hauling over there. I have been over the road once, and not all the way to Yellowknife, so whatever I would say would be purely guessing.

**Mr. Chairman:** I would like to get back to the subject of licencing. After living in the Territory for a while, I see trucks

coming into Whitehorse hauling items strictly for The Bay, Sears, Woolworths, or whomever. Do all of these trucks generally go back empty?

**Mr. Mickey:** The ones you have mentioned, yes.

**Mr. Chairman:** How about the regular transportation companies such as Yukon Freight Lines, Arrow and the others?

**Mr. Mickey:** It is hard for me to comment on them. I know that there is back-haul there, but I could not tell you how much. I have no idea how much, but I know that there is a certain amount of stuff that goes out of the Territory, but not anywhere near as much as comes in.

**Mr. Chairman:** In your opinion, are the prices we pay for freight coming into the Territory really affected much by back haul out of the Territory? For example, if we had something that we could ship out in trucks that are bringing our food into the Territory, would it materially affect the prices that we are paying for transportation?

**Mr. Mickey:** If it is in volume. If you were talking about asbestos in large volumes, or any ore where the same equipment could be utilized, such as a few years ago when asbestos could be hauled in the same containers that were coming in. The way that environmentalists are after asbestos now, I do not know if one could do it now, or not.

**Mr. Chairman:** In your opinion, did the closing of the Clinton Creek mine affect prices for shipping into the Territory?

**Mr. Mickey:** No, because Arrow came in right about that time with a back haul of asbestos from Cassiar, and very closely matched the marine/rail rate into Whitehorse at that time.

**Mr. Chairman:** We have heard several opinions as to how the major food companies in the communities get food transported to them, but in your opinion, how do most of the small retailers in communities outside of Whitehorse get their food-stuffs?

**Mr. Mickey:** Public carriers.

**Mr. Chairman:** Then, in most cases, they are not hauling it themselves, they use public carriers?

**Mr. Mickey:** There are a few who are hauling it themselves generally; I would say 90 percent use public carriers.

**Mr. Chairman:** Mr. Hanson had a question a while ago about rates in the Territory. He had an experience where there was a specific rate given to haul an item to Carmacks, and it was virtually the same rate as to haul that item to Mayo. Is that generally correct?

**Mr. Mickey:** It is quite possible, because any place that is within 100 miles or a very short distance outside of Whitehorse, the cost of picking it up and the cost of delivering it are virtually the same; the only cost difference is a few miles and once it is on the truck and the truck is moving, the costs do not change that much. Anyone who is unfortunate enough to live within 100 miles of any major city has a freight problem, unless the town is big enough to support a service where the truck would go there and turn around and come back. That would make a difference — where freight is dropped off on the way to somewhere else.

**Mr. Chairman:** It is virtually the same price.

**Mr. Mickey:** It is awful close.

**Mr. Chairman:** One of the questions that we should get answered is exactly how the various rates are established, or how they are determined. We understand the difference between a load that has temperature control, and a load that you can throw on the back of a truck and transport anywhere, regardless of the temperature. Other than that, how are the rates determined?

**Mr. Mickey:** Well, if you have got three, four or five companies, it is whatever one thinks he can haul for. If he ends up going broke, he was probably too low and the next guy will be hauling it for a little more. Right now, there is no set tariffs within the Territory; nobody tells us what to charge. We have to determine that ourselves and hope that we are right and if we are not right, we go broke. If we are too high, we will all of a sudden get a bunch more competition. Things look too good and

there is a whole bunch more trucks in who say, "I can do it cheaper."

**Mr. Penikett:** Let me ask you about that, Mr. Mickey. You earlier indicated that getting licences is a real problem in the industry when two people oppose you. You have just given a circumstance where you have basically got the marketplace setting the rates. If you wanted to start a new company because you thought there was room, and you have got two companies that are already in the market and they are charging, you think, pretty high rates, what do you think the prospects of getting a licence would be if those two guys oppose you?

**Mr. Mickey:** Right now, there are an awful lot of unused licences sitting around.

**Mr. Penikett:** Let me turn the question around then. You say there are unused licences around. How tough has the competition been here in recent years? Have many truckers gone out of business; have many lease-operators gone under?

**Mr. Mickey:** Not too many lease-operators. There have been trucking companies that have gone down, not that many but it has shifted. Somebody else moved in and took over.

**Mr. Penikett:** One or two small ones, three or four?

**Mr. Mickey:** There have been probably a half dozen, but lots of times it is poor management, too. There are a lot of factors that enter into it. There have been some pretty good truckers who have gone out of business just because of poor management.

**Mr. Chairman:** In your opinion, in the Territory right now, is there sufficient competition to keep prices relatively low within the Territory, or at least so that nobody is getting "ripped off"?

**Mr. Mickey:** There are certainly sufficient licences out, but maybe not being utilized. With the exception of Ross River, there are no places not served by at least two carriers and some by three and four. Ross River is the only one, I think, that is not serviced with other than one regularly scheduled carrier. I am sorry, there is another line: the Beaver Creek line has one carrier also.

**Mr. Chairman:** But other than that, in your opinion, competition is keeping the prices to a reasonable level?

**Mr. Mickey:** If all of a sudden in Ross River there was this big boom that is supposed to take place out there, you will see three or four trucking companies running there — the same thing if something happens at 1202, but if something does not happen —

**Mr. Chairman:** There is just not enough business.

**Mr. Mickey:** Not enough there for two. There were two there at one time.

**Mr. Chairman:** Do other than food stores in Yukon — again we will use The Bay, Simpsons Sears and Woolworths — charge transportation costs to their customers or are their transportation costs absorbed by the manufacturer?

**Mr. Mickey:** To the best of my knowledge, they pass the transportation charges on but I have no way of knowing that for sure. I know that food comes in and the cost of the goods landed in Whitehorse is what is marked up and that includes the freight, so the freight is marked up as well as the cost of the goods.

**Mr. Chairman:** In all cases?

**Mr. Mickey:** I could not say, "In all cases."

**Mr. Chairman:** But to the best of your knowledge?

**Mr. Mickey:** To the best of my knowledge it is the cost of goods and then the mark-up.

**Mr. Chairman:** Is that the same principle that is being used in areas outside of Whitehorse as well?

**Mr. Mickey:** As far as I know, yes.

**Mr. Chairman:** To the best of your knowledge, how many different trucking companies are hauling into Whitehorse at the present time?

**Mr. Mickey:** From Outside?

**Mr. Chairman:** From outside the Territory.

**Mr. Mickey:** On a regular scheduled basis?

**Mr. Chairman:** Yes.

**Mr. Mickey:** I would think five.

**Mr. Chairman:** Are they all members of your association?

**Mr. Mickey:** No, but four of them are.

**Mr. Chairman:** How many haul, again roughly, within the Yukon Territory on a regularly scheduled basis?

**Mr. Mickey:** Probably five or six.

**Mr. Chairman:** That are hauling in the Territory.

**Mr. Mickey:** On a regularly scheduled basis, LTL general freight, I would think probably five or six.

**Mr. Chairman:** The Yukon Transportation Association, I understand, meets every month.

**Mr. Mickey:** Yes.

**Mr. Chairman:** Are your meetings open to the Government? If some of us wish to come, would we be able to come to your meetings?

**Mr. Mickey:** We are happy to have anybody there who can put up with us.

**Mr. Chairman:** So the general public would be welcome.

**Mr. Mickey:** Yes, they would have to call ahead. Anybody who wanted to attend one would only have to make their presence known if they wanted to attend, yes.

**Mr. Penikett:** Does that include a guy with a Jaguar?

**Mr. Chairman:** These guys who own expensive foreign cars such as my socialist friend there, you would invite him as well?

**Mr. Mickey:** Yes.

**Mr. Chairman:** That is good.

I do not have any other questions that I find pressing.

**Mr. Penikett:** If we sound as if we are covering some of the same ground as we did with Mr. King, we do not apologize because we are going to be asking a lot of the same questions of different people.

**Mr. Mickey:** I just hope that you do not get too many different answers.

**Mr. Chairman:** That is what we hope too.

Okay, Mr. Mickey, thank you very much for coming today. If we have any other questions as a result of some of the other witnesses that come, to meet before the Committee, would you be willing to come back later in the week?

**Mr. Mickey:** Yes, I suppose so.

**Mr. Chairman:** Thank you very much for coming. We appreciate it.

In the audience, I notice a representative from the Yukon Freight Lines Company who are next scheduled to appear. I would like to introduce to everyone, Mr. John Russell who is the resident manager for Yukon Freight Lines Ltd.

Mr. Russell, we are probably going to go over many of the same questions with you that we did with both Mr. Mickey and Mr. Tom King who appeared awhile ago on behalf of the White Pass Corporation.

What we are doing is: one of us starts off asking questions and if anything occurs to the other members, they will cut in and ask questions. If you have some opinions or some comments you want to make, do not hesitate to make them.

**Mr. Russell:** If I may say so at the beginning, we had intended, when we got your letter, to have our general manager, Mr. O'Miskey from Edmonton come up but unfortunately about a week ago he got an ear infection and was not able to fly. The substitute for him was our sales manager for the system, Mr. Jim Murphy. Unfortunately, again, his father went into a coma last night and he had to fly to Toronto so I am sitting in for them. If there are questions that I cannot answer for you and you would like for me to follow that up, I can either arrange at a later date to have one of those two gentlemen when they are able to be here, or I can provide you with answers at a later date.

**Mr. Chairman:** I would like to start off by asking you to describe the business, Yukon Freight Lines. As I understand it, it was formerly a wholly-owned Yukon company and now it is part of a chain. Is that correct?

**Mr. Russell:** Yes, we belong now to the Canadian Steamship Lines (1981) Inc. group of companies. That change of hands took place about a month ago. Prior to that it was

owned by another company but they sold the transportation end of it. We are still a subsidiary of Kingsway Transports Limited which is our direct superior.

**Mr. Chairman:** How long have you been part of the Kingsway group?

**Mr. Russell:** Approximately 18 months.

**Mr. Chairman:** I understand that you were manager of Yukon Freight Lines before it was sold to Kingsway, is that correct?

**Mr. Russell:** No, I have just been in my present position since September of last year. I was in a dispatching or operational position from April of last year until September when I was moved up to manager.

**Mr. Chairman:** Did you find that it made a great deal of difference in the operation of Yukon Freight Lines when the company was absorbed by Kingsway?

**Mr. Russell:** No, it has not affected our operation here. We are still operating on the same basis that we were before.

**Mr. Chairman:** How many employees do you employ in the Territory, roughly?

**Mr. Russell:** Approximately 20, excluding the service drivers who work for us from time to time.

**Mr. Chairman:** What kind of operating authority do you have?

**Mr. Russell:** We have what you call a general authority, an open PSV. We are allowed to haul any commodity any place in the Yukon.

**Mr. Chairman:** I understand that you haul a lot of food products, dairy products from Vancouver and Edmonton.

**Mr. Russell:** We haul from Edmonton. We do not have a perishable or protected service operation out of Vancouver. There is not enough demand to warrant us to give that kind of service out of Vancouver. We do have a scheduled service out of Edmonton for perishable goods.

**Mr. Chairman:** So you do not haul any food products from Vancouver at all, like canned goods or anything?

**Mr. Russell:** Not that requires protective service. If it is peas or something that does not have to be protected from the heat — they do not come out of Vancouver. A large proportion of general freight has to be protected from freezing. We can bring those kinds of canned goods and food stuffs in, but not on a regular basis. We can but we are not called to.

**Mr. Chairman:** Give me a rough idea of how much business a year you do with Kelly Douglas.

**Mr. Russell:** Of our total tonnage?

**Mr. Chairman:** Yes.

**Mr. Russell:** It would be very small.

We do not depend on Kelly Douglas business out of Vancouver for a lot of our revenue.

**Mr. Chairman:** You say that you haul most of your perishable goods out of Edmonton. What type of goods do you haul?

**Mr. Russell:** Dairy products and meat.

**Mr. Chairman:** Who do you haul them for?

**Mr. Russell:** For the major food outlets in Whitehorse and the Territory.

**Mr. Chairman:** You haul on an individual basis for these various retailers or do you haul for one main wholesaler and then distribute from there?

**Mr. Russell:** No, we haul for Kelly Douglas, Super Valu, Food Fair, Yukon Meat and Sausage, various restaurants. We bring in food for Dawson City General Store, Atlin Food Basket, Hougens' Faro.

**Mr. Chairman:** I see. We have been getting into the problems that consumers in the Territory are having with the quality of food items. I do not remember off hand if we have had any complaints with the quality of dairy products. Perhaps in some of the outlying communities we had problems because they are received almost stale-dated, or that type of thing. What is your experience in that area, such as with milk products, shall we say?

**Mr. Russell:** There should not be any concern, from our point of view, about stale-dating or problems of that nature. We

provide a scheduled refrigerated service out of Edmonton three times a week. We leave Monday, Wednesday and Friday. For instance, if we left yesterday, we would pick up in the afternoon on Monday and have it here at six o'clock Wednesday morning, so it is about 30 to 34 hours from the time it leaves the dairy until it is on the retailers' shelves. That is in Whitehorse.

**Mr. Chairman:** How about, say, Dawson City or Faro?

**Mr. Russell:** We turn that over the same day. For instance, the milk that will come in tomorrow will be turned over to the interline Yukon carrier and he will generally deliver it to those places on Thursday morning.

**Mr. Chairman:** So, there would only be about 24 hours difference between here and, say, Faro or Dawson City.

**Mr. Russell:** Yes, although we are going to be a little bit late tomorrow because the Alaska Highway is blowing snow down by Fort St. John.

**Mr. Penikett:** Let me ask a couple of questions, Mr. Russell, arising from your last comments. You indicated that you are hauling food for quite a few people in the Territory, so you would probably have quite a lot of information at hand about the costs involved. You will have heard the allegation that that freight is one of the reasons for high cost of living here. Perhaps you could give me some different examples. If you are talking about a truck load of food, what kind of tonnage are we talking about in some of the loads you would carry?

**Mr. Russell:** The most we could put on a truck out of Edmonton would be about 38,000 pounds. On a 45 foot trailer load of milk, you would probably see about 20,000 pounds.

**Mr. Penikett:** If I came to you today and said I wanted a truckload of milk brought up from your normal supplier, what would you charge me to bring that in here?

**Mr. Russell:** I could give it to you in a cents-per-pound price, or I could calculate it out for you, but it would be about nine and a half cents per pound.

**Mr. Penikett:** So that is what it would cost me whether it was 20,000 or 38,000 pounds?

**Mr. Russell:** No, you were talking about a truckload, right? That would give us the benefit of a single load for a single shipper, one pick-up, one drop. We could afford to give you that rate.

**Mr. Penikett:** If I were talking to you about a larger volume over a longer period of time, would I be able to save a lot of money there, or get a special deal?

**Mr. Russell:** Yes.

**Mr. Penikett:** How much lower rate would I receive?

**Mr. Russell:** I am not really prepared to discuss rates with you. These are something that we negotiate with our customers.

**Mr. Penikett:** So they are negotiable, is what you are saying?

**Mr. Russell:** Yes.

**Mr. Penikett:** Let me ask you then, are there many people for whom you haul meat or dairy products, where the freight is prepaid or partially prepaid?

**Mr. Russell:** Very little of it.

**Mr. Penikett:** You would know that, presumably, because you would know whom to bill? What kind of things are more inclined to be prepaid — dairy, meat or what?

**Mr. Russell:** Meat comes freight collect, dairy products come freight collect. Unless the wholesaler and retailer are able to negotiate a special deal with the supplier, in general they would all come collect.

**Mr. Penikett:** You mentioned that some is prepaid. What kind of things? Can you give me any example of something that is prepaid?

**Mr. Russell:** Not off the top of my head. There is nothing of substantial volume that stands out as being prepaid. There may be a deal, but there is nothing that I can think of at the moment that comes in prepaid on a regular basis.

**Mr. Penikett:** Part of the reason we asked is that we had heard that Palm Dairy costs dropped yesterday because they

were now picking up the freight costs to here.

**Mr. Russell:** I had heard something to that effect, that the food outlets were able to negotiate a better price with Palm Dairies, but that is business.

**Mr. Penikett:** You do not haul into Faro, but you do bring freight up to Whitehorse. As we understand it, the company there subsidizes the cost of food coming into that town. You do not get any of that subsidy?

**Mr. Russell:** No.

**Mr. Penikett:** If I were to ask you, as an expert in the business, about the reasons for the higher cost of living here — we have heard figures ranging from 20 percent to 35 percent, and some of the communities such as Dawson City having as much as 65 per cent higher food costs — and if I had to ask you to rank the reasons for that, and given these factors: freight, energy costs, labour costs and volume — in what kind of order would you put those four things?

**Mr. Russell:** I think that overhead costs would be my first item.

**Mr. Penikett:** Would you include energy costs in that?

**Mr. Russell:** Yes, energy costs, building maintenance, wages that you have to pay to attract good people to keep them up here, and transportation, although I would not put transportation at the top of the list.

**Mr. Penikett:** You would put it near the bottom?

**Mr. Russell:** Yes.

**Mr. Penikett:** Off the top of your head, could you give us any kind of numbers to support that argument?

**Mr. Russell:** No, I am afraid I could not.

**Mr. Penikett:** Okay, that would be speculation.

**Mr. Chairman:** The nine and a half cents a pound would be a published tariff.

**Mr. Russell:** That would be a published tariff.

**Mr. Chairman:** That is probably the highest freight cost of any item you carry, is that correct? Other than possibly personal items, but I was talking about volume shipping.

**Mr. Russell:** That would be the lowest rate we would charge. I am misunderstanding your question.

**Mr. Chairman:** If I was going to get you to haul up a load of canned goods, they would not be nine and a half cents a pound, would they?

**Mr. Russell:** If it was a truckload, yes. For a truckload rate, it does not matter what is in it.

**Mr. Chairman:** So, it does not matter to you if it is a perishable item that you have to heat or cool, or if it is canned good items?

**Mr. Russell:** If you are talking about a truckload of perishable goods, I would be forced to put on a small charge for refrigerated service. That would be another \$100.00, which, distributed over 40,000 pounds is point 0.004 cents per pound, or something like that.

**Mr. Penikett:** Do you haul anything out of the Territory?

**Mr. Russell:** From time to time. We do have backhaul that goes back to Vancouver and Edmonton.

**Mr. Penikett:** Very much?

**Mr. Russell:** Not very much, compared to our inbound volume.

**Mr. Penikett:** Could you give percentages?

**Mr. Russell:** I could get those for you, but I do not have them with me.

**Mr. Penikett:** Would it be 20 percent, 10 percent, 50 percent?

**Mr. Russell:** I would be surprised if it exceeded 10 percent, at the moment.

**Mr. Chairman:** How many trucks a week do you bring into the Territory from both Edmonton and Vancouver?

**Mr. Russell:** That varies with the demand. We have five scheduled trucks coming in a week. That is a minimum, because we are obligated to maintain a schedule. You could probably double that for an average week, so we are bringing in a minimum of 10 trucks per week from both Vancouver and Edmonton.

**Mr. Chairman:** Are the three that you are bringing in from Edmonton on Monday, Wednesday and Friday totally food items — dairy products, meat, and that kind of stuff?

**Mr. Russell:** No, there is other LTL general freight on those. Generally, there is not sufficient volume on a three day a week basis to fill a truck or B-train completely with foodstuffs.

**Mr. Penikett:** May I go back to the things you mentioned. Mr. Russell, when we were talking about reasons for the high cost of living here? You mentioned your employee costs; you have to offer better benefits here to attract and keep employees. Because yours is a large company, could you give me some idea as to how much more you would have to be paying people here than you would in some of your southern locations? locations?

**Mr. Russell:** We are a union operation and we negotiate that, but we pay a premium of 40 cents an hour over and above what the union has been able to negotiate for Vancouver, say.

**Mr. Penikett:** Have you any idea what the base rate is?

**Mr. Russell:** I believe the base rate is \$12.21, at the moment. This just went into effect with our last contract. There was an 18 percent pay increase.

**Mr. Penikett:** So, it is 40 cents an hour above that, then. Do you offer any other benefits that are part of that total cost, over and above those that would be available to employees in the south?

**Mr. Russell:** Not under our agreement, no, we do not.

**Mr. Penikett:** You do not provide any air fares outside, or such, then?

**Mr. Russell:** No, but I understand others do.

**Mr. Penikett:** You mentioned overhead costs. Could you give us some examples of some of the things that are costing you more here?

**Mr. Russell:** Yes, I think I can. Heating fuel is higher in price to begin with, and you use more of it. Electricity is more expensive, and you use more of it. The environment is a little harder on your building, so maintenance costs on buildings are higher. Those are things that come quickly to mind.

**Mr. Penikett:** When you talked about your heating costs, compared to Vancouver they would be a great deal higher, but how much greater are they, say, than some of your other places more inland?

**Mr. Russell:** I cannot tell you that because I am not familiar with the costs at the other terminals.

**Mr. Chairman:** What percentage of the meat market in the Territory would you say that you have right now? Do you haul most all of it?

**Mr. Russell:** I would think more than 50 percent of it, in any case.

**Mr. Chairman:** It is all brought up in bulk — in sides or hinds?

**Mr. Russell:** No, it comes in various ways. We bring in sides and hinds, block-ready beef and that kind of meat that is ready to be cut on the block. We bring in pre-cut meat, pre-packaged meat. Just about any way it is sold and the food people like to buy it, we bring it in.

**Mr. Chairman:** Then we are probably talking about the nine and a half cent rate for meat that you bring in, too?

**Mr. Russell:** You can assume that, if you like.

**Mr. Chairman:** That would be the highest possible rate? That is what I am trying to establish. What I am trying to determine is: the steak that I bought downtown on sale the other day, I think, for about \$2.69 a pound, what percentage is due to your freight costs in bringing it up here. You are telling me that ten cents a pound is the maximum that the store is paying for freight; that would be a reasonable assumption?

**Mr. Russell:** That is a fair statement.

**Mr. Chairman:** We have one item, then, on which we have a definite answer. Perhaps you would like to speculate, then. That steak I bought for \$2.69 would mean it cost \$2.59 plus freight. Why would the same piece of meat cost so much less in Edmonton or Vancouver?

**Mr. Russell:** I have no idea.

**Mr. Chairman:** You are not going to even speculate?

**Mr. Russell:** No.

**Mr. Chairman:** One of the other areas that must affect what you must charge for freight is claims. How many times do you have problems such as snow along the Alaska Highway that delays a truck, and when the truck comes in the stores refuse the milk, or something? Is that a problem that occurs more than once a month or so?

**Mr. Russell:** No, that is not a problem. It is a problem when it occurs, but it does not occur very often. It might occur once or twice a year, where we have spoilage enroute because of the road conditions.

**Mr. Chairman:** I take it that your company pays that. You are not insured for that kind of thing?

**Mr. Russell:** No, we are insured for excessive losses, but not for that kind of loss. We pay that right out of profits.

**Mr. Chairman:** So, that does not form a large part of the, shall we say, nine and a half cents a pound that you are going to charge?

**Mr. Chairman:** How many trucking companies are competing with you on that haul from Edmonton, on milk, dairy products and that kind of stuff?

**Mr. Russell:** Three.

**Mr. Chairman:** Why do you have the majority of the business? Do you offer better service, or are your rates lower?

**Mr. Russell:** We have a reputation for giving good service, on time delivery. There are some people who think they can perhaps bring it in cheaper, but the retailers are not very interested in them, because a cheap product is no good if you cannot sell it.

We have a record of on time delivery with minimum claims and they go with us. As well, our rates are competitive.

**Mr. Chairman:** Is the new change in ownership going to make any great difference to the operation in the Territory?

**Mr. Russell:** Not a great change, but it gives us a source of capital with which to update our equipment. We are looking very actively towards that in the next few months to see some new equipment on the road. As a result of the takeover, we are spending approximately one million dollars this year on new equipment, including refrigerator units and more B-train units, which has allowed us to maintain a rate level that we would not have been able to maintain had we not gone to the B-train concept. We were the first perishable carrier to use that configuration on the Alaska Highway. So, we will see more of those in the future.

**Mr. Chairman:** You hope to be able to maintain your nine and a half cent rate?

**Mr. Russell:** Rates will not go up as fast as they would if we were not using that configuration. It will help us to maintain a lower rate structure.

**Mr. Penikett:** Do you have, before any regulatory body, published tariffs or rates for this area?

**Mr. Russell:** We are not required to register our tariff with any regulatory body, but we do have a published tariff.

**Mr. Chairman:** The meat and milk products you haul up are based on a deal you work out, and you have a contract for that, is that correct?

**Mr. Russell:** Yes.

**Mr. Chairman:** What you are telling me is that you guarantee that it is no higher than nine and a half cents? I want to nail down that price. Is that a fair statement?

**Mr. Russell:** That is a fair statement.

If I may add, when you consider that everybody says "it is the freight," — and we are talking about food, now — in our company, we have been able to maintain a constant rate to our food customers for bringing in foodstuffs from January of 1979 to March of 1981.

**Mr. Chairman:** Your rate has not increased in that time?

**Mr. Russell:** It did increase in March of 1981, but until that time, the freight rate that we charged was a constant rate.

**Mr. Chairman:** January of 1979 to March of 1981?

**Mr. Russell:** Yes. Rates have increased since that time. At

that time we instituted a less than nine percent increase, and since that time they have escalated approximately four and a half percent, because of fuel. That fuel increase will likely continue, but the basic rate structure will remain the same.

**Mr. Chairman:** What you do now, as I understand it, is charge a basic rate and as fuel costs go up you add a fuel surcharge onto the basic rate, is that correct?

**Mr. Russell:** That is correct. Our good friends in Ottawa have reached an agreement today that probably foretells another one.

**Mr. Chairman:** A large increase?

**Mr. Russell:** I have not heard the news report, but I understand that the price of fuel is going up again.

**Mr. Chairman:** And, so will our price for milk and meat.

I think that is all of the questions, Mr. Russell, and we appreciate very much your taking time off to come to visit us. If we have anything else that we wish to ask you as a result of the answers that you have given us, can we call on you again later in the week?

**Mr. Russell:** Absolutely, if it is convenient for the other people who were going to be here, I will pass it on as well. If not, I would be glad to come back.

**Mr. Chairman:** That is excellent. If we require some more information, and Mr. O'Miskey could come, we would appreciate that.

**Mr. Russell:** Sure.

**Mr. Chairman:** Thank you very much for coming.

Those are all of the scheduled witnesses that we have for this afternoon. Is there anything that you wish to add at this time, Mr. Penikett?

**Mr. Penikett:** No.

**Mr. Chairman:** Mr. Hanson?

**Mr. Hanson:** No.

**Mr. Chairman:** Then, we will adjourn for this afternoon. We will reconvene tomorrow morning at 9:30 with the Consumers Association. At 10:30 we have Burns Foods. At 1:30 in the afternoon Zenith Transport will be appearing and at 3:00, Alberta Grocers and Super A will be appearing before the Committee.

Thank you very much for coming everyone. We will see you tomorrow.