

Arthur Kroeger on the Crow

David Stambrook, Virtuosity Consulting

Arthur Kroeger's (2009) Retiring the Crow Rate: A Narrative of Political Management focuses on the 1980-83 period leading up to the Western Grain Transportation Act which repealed the statutory Crow Rate. The book is a valuable case study of managing an important policy file through the obstacles of the Canadian political system and amongst the rapids of opposing policy constituents. This insider assessment of the machinations of Ottawa intrigue and regional politics demonstrates – with wit and wisdom – the tenuousness of victory and the ever present dangers of defeat inherent when challenging entrenched institutions and managing radical policy change. The objective of this paper is to highlight the features of the narrative which are archetypical for effective public policy management of complex issues.

Introduction

For anyone not involved in transportation policy prior to about 1990 the 'Crow Rate' issue would seem to be ancient history of little relevance to today. Not so. This paper argues that the Crow Rate reform process is a highly informative case study in the complexities of successful public policy management. Most of this paper involves a careful reading and analysis of the contents of Kroeger's book along with reference to secondary literature to elaborate specific points.

Background

The Crow Rate was the statutory rate for railway movement of grain from country elevator to ports established in 1897. Its intent was to finance the construction of a railway by Canadian Pacific (CPR) to southern British Columbia with the assistance of federal subsidies.

The Crow Rate was a small part of the political price extracted by the federal government from CPR to ensure broad political support for a subsidy to be paid to the railway and avoid the appearance of government over-generosity. The Crow Rate came to be embedded in the Western Canadian psyche as their regional benefit from Confederation¹ – on par with the construction of the CPR (ensuring British Columbia's entrance) and the National Policy of high tariffs to protect nascent manufacturing (benefiting Ontario and Quebec).

Historians have linked Confederation, land settlement, the trans-continental railway and tariffs as part of Prime Minister Macdonald's National Policy of the 1870-90s which has been termed 'defensive expansionism'² in reaction to the threat of territorial expansion under the US policy of 'Manifest Destiny'.

Methodology

This paper is an exercise in hermeneutics – i.e. the close reading and critical interpretation of a written text. The interpretation is that of the present author and is subject to the criticism that the author is projecting unwarranted judgment into the reading of the text. However, I feel there is ample evidence in support of these judgments.

¹ Earl (1996) persuasively argues that this myth was a construct of the 1920s resumption of the Crow Rate following its suspension during WW1. Berry et al (1983) and Earl (2011) provide useful further history of the Crow Rate.

² Eden-Molot (1993). Macdonald was responding to similar policies pursued by various US administrations (e.g. Adams/Jackson/Monroe/Polk).

Kroeger's first degree was in English and as a senior public servant he was a careful and precise writer who valued the classical arts of discourse: grammar, logic and rhetoric.

The subtitle of the book - '*A Narrative of Political Management*' - suggests that Kroeger intends the story of the Crow Rate reform process of 1981-83 to be something more than an historical account and (perhaps) to be something of an archetypical narrative of political management as he and Jean-Luc Pépin practiced (and believed *should* be practiced).

Kroeger makes a clear distinction between small 'p' politics (i.e. policy advice which is the rightful domain of the non-partisan professional bureaucrat, such as himself) and big 'P' Politics (i.e. political advice which is the rightful domain of partisan politicians and political advisors, such as Minister Pépin). While this distinction is vital to maintaining bureaucratic professionalism and impartiality, actual practice often involves the interesting grey zone between the distinct poles of black and white. As the book describes the *joint* management of the Crow Rate policy file by the Minister (Pépin) and Deputy Minister (Kroeger) the 'narrative of political management' can be interpreted to apply to both the bureaucratic and political spheres of practice.

The careful reading of the book requires consideration of what is written, how it is written, and what can be *inferred* from what is written (i.e. reading between the lines). An often quoted Kroeger anecdote is his masterful performance before a Parliamentary Committee studying the Canada-US Free Trade Agreement in which, according to Ritchie, '*He managed to not say a word that would undermine the position of the government, but leaving no doubt to anybody who could read between the lines that he didn't really like the agreement*³.'

³ Gordon Ritchie as quoted by The Ottawa Citizen (11 May 2008). At the time, Kroeger was Deputy Minister of Energy, Mines and Resources.

I think Kroeger would want his book to be read at many levels:

- as *story* – i.e. twists and turns, pitfalls and achievements;
- as *history* – i.e. what happened, when and why;
- as *critical perspective* – i.e. lessons learned, what worked, what didn't; and
- as *guidance* – i.e. how political management *should* be done.

The latter is the one for which there may be greatest contention regarding my interpretation, which is that Kroeger offers a critique of the recent Prime Minister's Office (PMO) domination and control of federal political management.

1. *Retiring the Crow: As Story*

The ingredients of any good story are:

- likeable (and unlikeable) characters (of whom there are plenty here);
- conflict and intrigue (e.g. Senator Argue's consistent undermining of Pépin, Prime Minister Trudeau's antipathy to Pépin⁴ and the perfidy of the Devine Saskatchewan government);
- twists and turns as defeat is snatched from the jaws of victory (and vice versa);
- risks faced by the protagonists (e.g. the Crow gets entangled in Quebec opposition and is sidelined by Trudeau's focus on Constitutional matters); and
- dramatic tension (e.g. which in this case is the conjunction of mounting railway financial losses, required major investments in Western rail capacity and growth in Western commodity movements).

⁴ Pépin was the co-chair of the Pépin-Robarts Task Force on Canadian Unity whose recommendations (e.g. provincial autonomy over linguistic/minority rights) were anathema to Trudeau.

Chapter 2 is a masterful condensation (in thirteen pages) of 80 years of history and debate highlighting the key factors that were to impact on the Crow Rate debate. If such concision were applied to most public policy issues in their presentation to Ministers and Cabinet there would be a much improved level of federal decision-making.

Chapter 3 describes the close working relationship and mutual respect between Pépin-Kroeger which is a major theme of the Crow Rate reform process. Pépin, though not a Westerner, had great affinity for the West which was an asset as the Minister was not captive to any particular Western constituency. Kroeger was a Westerner with acute political antennae who sought a compromise consensus to the policy challenge.

We meet all the main protagonists and get a real feeling for the diversity of opinions and strong emotions during the early 1980 consultations with stakeholders. Kroeger sums up this process with: *'We had consulted widely in the West and had obtained a clear picture of agricultural leaders' views...I was in no doubt that the West was ready for change. Ottawa, however, would prove to be another matter.'* A beautiful set-up for the coming political boxing matches that follow.

As a story, one of the remarkable aspects is the number of occasions where it would have been sensible for Pépin-Kroeger to have ceased (or reduced) efforts on Crow Rate reform. In the narrow period of 1980-83 I count four major occasions when significant obstacles/impediments were faced:

- October 1980 – the Western Affairs Cabinet Committee takes the view that the political risks were too high for Crow Rate reform due to Saskatchewan government opposition;
- February 1981 – Trudeau doesn't support Crow Rate reform. Kroeger writes: *'Pépin was alone. It was clear that his warnings about the impending threat to the western railway system had simply made no impression on Trudeau and his advisors'*;

- Fall 1982 – the Government rejects a key recommendation of the Gilson Task Force (i.e. producer protection of cost escalation) which violates P  pin’s commitment to implement a ‘made-in-the-West’ consensus; and
- Early 1983 – the Government rejects ‘producer payments’ in favour of direct payments to the railways which retards the process of Western transportation rationalization and agricultural diversification (for a decade) in favour of appeasing the cooperative Wheat Pools and Quebec farmers.

The two early obstacles represented the lack of Cabinet/Prime Ministerial support and could easily have led a less tenacious Minister/Deputy to cease work. But P  pin-Kroeger persisted in stakeholder consultations to alter Cabinet/PM perspectives on Crow Rate reform. Opposition was fierce: the Saskatchewan government, Wheat Pool and most farmers were against any reform; Ottawa was against a large price tag for federal funds; and a Liberal Party National Convention wanted a judicial review of the CPR and its finances. The only consensus was that the Western transport system needed massive investment and upgrading – but who was to pay?

The creaky logic – investments needed but no one wants to pay – was seized on by P  pin-Kroeger as an opportunity to proceed. It was their job to find a solution whereby the desirable outcome was achieved (i.e. needed railway investments) with costs to be borne in such a way that they would be seen as equitably apportioning the burden.

The latter obstacle represented a rear-guard action to thwart reform and minimize the impact of reforms on rationalization of the Western Grain collection/distribution system. By then, P  pin-Kroeger knew they had ‘lost the battle’ but had ‘won the war’ – i.e. that the process of agricultural/transportation reform had been irreversibly set in motion even though the pace of rationalization had been temporarily impeded.

It is hard to believe that the high and low drama associated with Crow Rate reform could be so gripping. The story is well told by Kroeger in a concise and entertaining manner. Describing the book as a well-

told 'story' reveals another insight. Any good policy initiative which seeks to slay a sacred cow (i.e. well entrenched status quo) must present a new and compelling 'story' to replace the old one. Kroeger understood this and devoted considerable time to hands-on penmanship of major Ministerial speeches and letters. Kroeger acknowledges that '*...by most standards of executive practice, this should have been left to departmental staff ... however, the stakes were high, the politics keen and there could be no room for poor communications.*' The same went for the preparation of graphics, an innovation in those days.

There is an important policy maxim here, that marshalling the empirical evidence is a necessary (but not sufficient) basis for policy success. The work of the Mulder Task Force was critical as it continually rebutted questions of fact and clarified forecasts and analysis. However, it was the Minister-Deputy level dialogue with stakeholders and their process of shaping the debate (or 'story') for a 'made-in-the-West' solution that largely carried the day. Kroeger describes this manner of consultation as: '*...open, transparent, collaborative and flexible.*'

That public policy and economics involves 'storytelling' is not widely credited despite efforts by some authors (e.g. McCloskey, Throgmorton) to highlight the rhetorical basis of the social sciences⁵.

In his review of the Crow Rate, Earl rightly argues⁶ that the debate was primarily about public philosophy and political ideology rather than about transport and economics. He argues that the success of Crow Rate reform resulted from '*...a very few simple, but fundamental, assumptions*' - i.e. the shift from 1920s' progressive/cooperative philosophy to 1980s' conservative/market philosophy. While the characterization of these era is not in dispute, I feel that it is incorrect to interpret this change as reflecting *normative*

⁵ McCloskey: *The Rhetoric of Economics*; Throgmorton: *Planning as Persuasive Storytelling*.

⁶ Earl in *Not With a Bang But a Whimper*.

choice (based on ideological belief) and better to ascribe this as *positive* choice (based on pragmatic self-interest)⁷.

Kroeger might agree with Earl's conclusions that: '*...in the end, it was not the rational arguments which prevailed, but the shift in public philosophy that saw markets, not centralized control, as the appropriate way to run an economy*'.

The empirical evidence provided in support of Crow Rate reform wasn't intended to change the minds of intransigent stakeholders whose beliefs were always more powerful than evidence. Pépin-Kroeger inject factual transport and economics evidence to shift the philosophical underpinning of the debate and to convince Ottawa politicians and key industry stakeholders that the pragmatic self interest of Western farmers was better served through reform of the Crow Rate, providing mutual long-term benefits, rather than defence of the status quo⁸.

2. Retiring the Crow: As History

This is the meat of the book for the transportation and public policy professional. There are many important aspects of the Crow Rate reform history of which some of the more salient (to me) aspects are:

- bumper harvests in the late 1970s and lost export sales (because the railways lacked capacity to move grain) brought the railway investment problem home to Western grain farmers in a concrete way;
- the importance of 1970s inflation in driving up railway costs and making railway losses from Western grain movements unsustainable;
- the analytical effort over many decades (especially since 1960) required to document railway losses from Western

⁷ The terms 'normative' and 'positive' are used in a philosophical sense. 'Normative' means as one would wish things in the world to be (i.e. idealism). 'Positive' means as one actually finds the world (i.e. pragmatism).

⁸ I doubt whether Kroeger would agree with Earl that '*...reason is no match for myth, legend or ideology*' although he respected the power of myth.

grain movement and persuade farmers that such losses threatened their future viability (and those of other commodity producers)⁹;

- major railway investments were required (\$5B) during the 1980s to boost western railway capacity for grain, coal, potash etc. These investments were at risk because of grain-related railways losses;
- the growing Western consensus that the status quo was unsustainable and undesirable – i.e. something had to be done to secure railway investment and greater capacity¹⁰;
- Trudeau was happy to see Pépin engaged in the quixotic task of reforming the Crow Rate (assured of his inevitable failure) as it would sideline him from joining the Constitutional debate;
- the importance of federal budget pressures (and the Department of Finance) in resurrecting Crow Rate reform in mid-1981;
- the importance of the Gilson Task Force in forging a workable consensus for Crow Rate reform during 1982 as part of the Pépin-Kroeger ‘made-in-the-West’ commitment to stakeholders;
- the passions enflamed by the ‘method of payment’ debate over whether federal subsidies were to be paid either: a) directly to producers who would then pay higher costs to the railways (i.e. to provide incentives for transportation rationalization and agricultural diversification); or b) directly to the railways (i.e. which would not provide these incentives)¹¹;

⁹ There were twelve Royal Commissions or inquiries into grain handling and transportation from 1899-1976 including the seminal 1961 McPherson Royal Commission and various reports by Snavely during the 1970s.

¹⁰ The 1979 position of the Western Agricultural Conference, which supported a shared responsibility for increased costs of moving Western Grain, was an important breach of the status quo position that farmers should not bear any additional rail cost above the Crow Rate.

¹¹ There was substantial political/financial capital invested in local elevator assets by the Wheat Pools which ensured their strong support for direct payment to railways and limiting branch line rationalization.

- the challenge presented by the fact that Crow Rate reform efficiencies (through rationalization and producer payments) had clear winners and losers among grain producers and flew in the face of the cooperative sentiment of the Wheat Pools and small-town Prairie collective populism;
- the recession of 1981-82 reduced railway traffic and (temporarily) undermined the business case for immediate railway investments for added capacity; and
- the potency of the 'Quebec card' even though the Crow Rate logically had no direct connection to Quebec¹².

Politics is rarely logical or rational. One of the ironies is that, by yielding to Quebec and Wheat Pool interests on producer payments, at the end of the legislative process in 1983 there was not a single Western agricultural organization that supported the government's legislation. The spreading around of pain among all stakeholders was a necessary ingredient for a successful policy¹³. This was the fruit of the long process initiated by Pépin-Kroeger in 1980 to assess '*...what might constitute the art of the possible...*'

3. Retiring the Crow: As Critical Perspective

In Chapter 12, Kroeger provides his assessment of the Crow Rate reform process and outcome. He argues that, despite the limited transportation rationalization and agricultural diversification realized by the 1983 *Western Grain Transportation Act*, the forces of change had been unleashed and there was a gradual move towards variable rates. This eventually resulted in the 1995 repeal of the *Act* and loosening of controls on branch line rationalization.

¹² Quebec agricultural associations objected that Crow Rate reform would reduce economic distortion to value-added Western activities (i.e. a 'beggar thy neighbour' argument) and (possibly) threaten broader agricultural supply-management practices.

¹³ Including pain to the sponsoring Minister-DM of not achieving the desired 'made-in-the-West' solution.

Kroeger's reflections on political management are directed equally at the small 'p' policy and capital 'P' Political operatives. Kroeger concludes or recommends:

- a collaborative, open approach involving all stakeholders;
- avoid a 'made-in-Ottawa' solution;
- if you make a commitment to collaboration/openness this should be pursued to the end rather than sacrificed for political expediency;
- good policy stands the test of time and change of government;
- solid data and analysis are the bed-rock of good policy and benefit from the diverse background and expertise of key official (both political and non-partisan professionals);
- fiscal sustainability is key (i.e. no blank cheques);
- key people make a difference, especially among stakeholders with important constituencies (e.g. Ted Turner as head of Saskatchewan Wheat Pool); those that have the influence to compromise and find consensus (e.g. Clay Gilson as head of the Task Force); and the sponsoring Minister (Jean-Luc Pépin) who must have a determined vision to overcome obstacles¹⁴; and
- focus on the long-term mutual benefits and changing the status quo.

None of these conclusions/recommendations are particularly radical in nature and reflect the wise mandarin that Kroeger personified. Kroeger is always generous in praise and parsimonious in criticism.

In terms of the legacy of Crow Rate reform, Kroeger reports that the Trudeau Cabinet (1984) felt that the government would be remembered for three initiatives:

¹⁴ Kroeger acknowledges the contributions of Minister Otto Lang and Mac Runciman (United Grain Growers) to preparing the ground for the 1981-83 reform process.

1. repatriation of the Constitution;
2. National Energy Policy (NEP); and
3. Crow Rate reform.

As the NEP did not survive the change in government Kroeger dismisses this and notes, wryly, that the inclusion of Crow Rate reform is ironic given how opposed Trudeau, Western Ministers and Cabinet (generally) were towards P  pin's initiative during most of 1981-83. Its legacy was the primarily achievement of a lone Minister, Jean-Luc P  pin.

4. *Retiring the Crow: As Normative Guidance*

I initially thought that Kroeger's book was an excellent case study to develop deep understanding of the process and art of policy analysis and political management. I still think I'm right, but I didn't really grasp how 'radical' this treatise is to the current mode of political management that has characterized the Ottawa federal scene since the early 1990s (Chr  tien-Martin-Harper). I say 'radical' because much of what Kroeger stood for, advocated and practiced has grown to be considered unacceptable to the tight control imposed by the present day PMO 'presidential' system of governance and policy management.

Kroeger's story is how, working within the Minister's own portfolio and 'below the radar' of the Prime Minister's Office, P  pin successfully prepared the ground and formed the basis of an emerging Western consensus for change (clearly rejecting the status quo). For example, during the early months of 1980, P  pin-Kroeger made six Western consultation trips for '*...testing specific approaches to dealing with the Crow, including the possibility of involving western stakeholders in the development of measures.*' Up until this point there is no indication that P  pin had gone to Cabinet for any authorization of this process or the possible solutions they were floating. It is only after the return from these mid-1980 meetings that policy discussions began in Ottawa with Cabinet Committee chairs and senior Deputies in other departments.

The public consultation process of early-1980, featuring meetings with a wide variety of stakeholders and culminating with a Pépin press conference highlighting the need for change, was vintage Kroeger strategy. Kroeger had a deep respect for the political process and for active engagement and consultation with stakeholders on all sides of an issue. This often meant participating with the Minister in shaping public debate about a policy issue so as to best advise Cabinet on the most pragmatic and effective policy and communications strategies. In this way he represented an activist policy manager, a role that has largely been devalued over the past two decades.

Following a presentation in 1981 to the Planning and Priorities Committee, which reinforced Cabinet scepticism about Western support for Crow Rate reform, Pépin-Kroeger kept the lines of communications open to reform minded stakeholders and transferred to them the urgency of resurrecting the reform process. Kroeger's subsequent briefing to both sides of a Prime Ministerial meeting with stakeholders (and then subsequently obtaining Ministerial approval) demonstrates how high stakes the game was and the boldness required by a senior policy deputy.

The importance of these consultations can't be understated, and yet the demands of the Ottawa political process can often overwhelm a Deputy (and Minister) and leave insufficient time for such activity. The current fixation on PMO communications control would have rendered this approach impossible as the PMO cannot have the mastery over file details and understanding of nuances (e.g. railway costing) that are the crucial 'devil in the details' of melding consensus between government and stakeholders.

The Pépin-Kroeger strategy was designed to be led by Western stakeholders in terms of working out the details that achieved government objectives¹⁵. The manner in which Kroeger achieved this

¹⁵ Pépin consistently stated that, unlike the NEP (1980), Westerners would play a major role in the Crow Rate decision process. Pépin remarked (1983): *'..our policy makes a great effort to be non-confrontational. It is full of compromises and hybrid formulas and phase-ins and phase-outs.'*

involved sharing draft government policy documents with stakeholders to invite comment before these drafts were seen by Ministers – i.e. effectively giving influence over the ‘pen’ to stakeholders.

A key aspect of the Pépin-Kroeger process was the establishment of a ‘made in the West’ Task Force (at arm’s length from government) to forge a working consensus on Crow Rate reform details that would meet with government approval (hopefully). Clay Gilson, a respected Winnipeg agricultural economist, headed the Task Force. What is perhaps unique in this case is the very strong commitment from Pépin-Kroeger that the results, if truly reflecting a consensus, would be *implemented* as government policy. Public and media reaction to the announced federal intentions and process were remarkably positive, helped in no small part to a media blitz by Pépin-Kroeger.

The complexity of the arrangements (and underlying economics) defied simple slogans and sound-bites and made it difficult to counter simplistic anti-reform messaging. Kroeger poses a very serious question in the book: How can government increase public comprehension of controversial and complex issues? There is inherent distrust of government messaging and ‘spin’, with much good reason.

One novel approach was the use of a Task Force (recommended by Gilson) to develop legislative language for enactment, an activity usually undertaken by the Department of Justice. This process proved beneficial later in Parliamentary clause-by-clause review when specific language was defended to politicians as arising out of a stakeholder consensus.

The fight for passage of the legislation through Parliament lay ahead. The back-tracking of the government on producer payments was interpreted as ‘blood in the water’ by the opposition which targeted the Crow Rate reform legislation. There is whole lesson on legislative shepherding, about delays and bell-ringing and procedure, but they strike me as sterile from a policy perspective. There were occasions when the government’s resolve to press on was in

considerable doubt and the jaws of defeat yawned. Surprisingly, given how disconnected Prime Minister Trudeau was on the substantive issue, he took a hard stand and refused to give up. Kroeger thinks he didn't like being pushed around.

A difficult part of the legislative process was that it involved a complete rehash (unsober second thoughts?) of every debate and objection that had been played out over the 1981-83 period. This complaint is not to diminish the importance and legitimacy of the democratic process – but to recognize its *déjà vu* nature to the policy manager and the exhaustion felt after fighting to convince the Ottawa political machinery of the necessity and wisdom of change. Some of this exhaustion was unique to the consultative process of the Crow Rate reform in which so much time and effort and expertise had already been brought to stakeholder forging of consensus.

Pépin's reward for steering Crow Rate reform through the Canadian political landscape was a demotion to junior minister for external affairs. So much for a job well done!

Conclusions

Some characteristics of policy/political management of a complex initiative, as demonstrated in the Crow Rate reform process, are:

- *destroying the status quo*: the majority of constituent stakeholders must accept the inevitability of change;
- *marshalling the facts*: there must be solid analytical evidence in support of change and the preferred policy option;
- *convening the debate*: the opponents and proponents of change must be engaged and options debated publicly;
- *managing the politics*: the Minister must be able to build the political consensus for change within the governing party; and
- *massaging regional politics*: the Minister and officials must engage with regional constituents and convey a national public interest in the face of parochial interests.

In reflecting on the legacy of Jean-Luc Pépin, Kroeger wrote¹⁶:

*'Ministers are entitled to the loyal service of their officials as a matter of right.
Some also win great respect for their conduct in office. (Pépin) did so...
He refused to engage in the artifices of politics and thereby earned a widespread reputation for genuineness and integrity.
He was dedicated to the principle that good government is good politics...'*

Kroeger's 'narrative of political management' is a reminder to politicians to leave aside the 'artifice of politics' in favour of 'integrity' and 'respect' for the Canadian public and their non-partisan officials. Kroeger demonstrates how politics can be honourably waged in the service of the public good.

Kroeger's story is about managing a policy file through the treacherous shoals of Ottawa's political machinery which can (almost) undermine any amount of good work. The Crow Rate is very much a tale of snatching victory from the powerful jaws of defeat.

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¹⁶ Kroeger writing in the Transport Canada departmental newsletter on the death of Pépin in 1995.

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End Note

Valuable comments on a draft were received from Paul Earl, Dave Hackston and Nick Mulder.