

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Third Session – Thirteenth Legislature
27th Day

Monday, March 23, 1959

The House met at 2:30 o'clock p.m.

On the Orders of the Day:

WELCOME TO STUDENTS

Hon. J.H. Sturdy: — Mr. Speaker, before the Orders of the Day are proceeded with, I would like to call the attention of the members to a very fine and intelligent group of Grade VIII students in the west Gallery. They are from the Austin School of Saskatoon, and on your behalf, Sir, we bid them welcome to the Legislative Assembly; and I would also like to welcome their principal, Mr. Peter Russell. We hope that your stay, boys and girls, in Regina will be an interesting and a happy experience.

CORRECTION OF PRESS REPORT

Mr. F.E. Foley (Turtleford):

Mr. Speaker, I would like to draw to your attention an article which appeared in the press on Friday last, stating that I paid tribute to John McLeod, a High School Superintendent in my constituency.

I would like to make a correction there. Mr. McLeod is one of four High School Superintendents, inspecting high schools throughout the province, thus his activities are not confined to any particular area or constituency as suggested in this press report.

CORRECTION OF PRESS REPORT

Mr. A.H. McDonald (Leader of Official Opposition):

Mr. Speaker, before the Orders of the Day are proceeded with, I would like to refer to a news story that appeared in the 'Leader-Post', Saturday evening edition and Monday morning first edition, with respect to the debate on Standing Orders.

When I read the article I was rather perturbed to think that someone might have sat in the Press Gallery and got the interpretation that appeared in the press of what happened in the House. After checking with the particular correspondent who wrote the article, and reading his duplicate, I find that only about half the article appeared in the newspaper and it gives an entirely different slant on what actually happened. It seems to me that it is a very bad practice to have editors of newspapers chopping up stories that are written in this House by the people who are here and see and hear the proceedings, and then to have an editor re-write their stories, who confines his activities, apparently, to an office downtown somewhere. I think it is most unfair to the member and to the correspondent.

I hope that the people in this House and outside, who read this article, will consider it with that understanding.

SECOND READINGS

NORTHERN CO-OPERATIVE TRADING SERVICES

Moved by the Hon. Mr. Douglas (Weyburn):

That Bill No. 77 – An Act respecting Northern Co-operative Trading Services Limited, be now read the second time.

Premier Douglas: — Mr. Speaker, Bill No. 77 is an Act respecting Northern Co-operative Trading Services Limited.

I am very proud, on behalf of the Government, to have the privilege of introducing this legislation, because it represents, in our mind, a very definite forward step. For many years we have hoped that some of the activities which have been undertaken by the Government in the northern part of the province, designed particularly to affect and to serve the native population, would eventually be taken over by the people of the north and operated by them. I remember making a statement to that effect in the House in 1948, when some of the legislation was introduced.

I came across, just the other day, a broadcast which I delivered over the Prince Albert and Flin Flon radio stations on January 21, 1951. I was speaking of the work of the Co-operative Department, and I stated that we were stationing field service men, operating out of Prince Albert, and locating them in some of the northern communities, to train people in an understanding of the co-operative movement in order that, eventually, they might be able, themselves, to operate some of the services which the Government was at that time providing. I notice in this broadcast I said:

“The Government is very pleased with the progress that has been made and is prepared to provide the assistance that is required for the fishermen in the various lakes in organizing their co-operative.

When, say, 75 per cent, or a greater proportion of the fish in the province is being handled through the local co-operatives, the Government is prepared to turn over the operation of The Saskatchewan Fish Marketing Service to a properly organized federation of these local co-operatives.”

I wound up the broadcast by outlining the various people who were located in the various places, and telling them that a school had been held the previous June (that was June, 1950) and that other schools were going to be held in various places in the north for training people in the principles and policies of the co-operative movement. I concluded by saying this:

“This is a program to help our fishermen to help themselves. The Government will give encouragement to the organization of co-operatives wherever possible. The fishermen will have complete control of the marketing of fish as quickly as they are ready for it.”

We recognized, Mr. Speaker, that this was a long-term program, that many of the people in the northern part of the province were not familiar with the principles of co-operatives. Even our experience in the southern part of the province, dealing with people who had had many more educational opportunities, dealing with people many of whom came from lands where co-operatives had been in vogue for nearly a hundred years showed us that the organization and management of co-operatives had not been without difficulty. Consequently, to take a group of people in the north, with very limited opportunities of understanding the co-operative movement, we recognized this as a long-term job.

I want to say, Mr. Speaker, that the job which has been done in the north as far exceeded our fondest hopes. We now have co-operatives in the northern part of the province. Co-operative stores, for instance, are at Reindeer Lake, at Ile a la Crosse, at Buffalo Narrows and at Clear Lake. One has just recently been organized at La Loche. I was reading the report (I won't weary the House with it) of the field man, and I wish I could convey to the House something of the thrill of reading a report of supplies coming in for building the store, the trucks full of goods to go into the store, the whole community turning out to help unload the trucks and to help build the shelves and put up the equipment in the store, helping in the pricing and marking of the goods. The first day almost the whole community came out to buy their goods there in the store at La Loche. One of the first indications of the help which it meant was that the prices in the Hudson's Bay Store that day were reduced about 20 per cent. Commodities which had been sold at very high prices were cut down, in some cases, below the price at which the co-operative store was selling them.

What is even more pleasing is that the co-operative at La Loche and the Black Lake co-operative at Ile a la Crosse are being operated today by managers who are natives of that country. They have shown a remarkable aptitude.

With the organization of these co-operative trading stores, and also a fishermen's co-operative which I will mention later, there has gone with this responsibility, of course, the possibility that they may make mistakes. We had one very good example, last summer. When the Black Lake co-operative, which was moved into Ile a la Crosse and which has been on a cash basis, decided to go on a credit basis, inside of about two or three weeks our Director of the Extension Services in the Co-op. Department went up and called the shareholders together and told them a few of the facts of life – that they would last about three more weeks if they continued on a credit basis; that they were a self-governing group running their own business and there was nothing he could do except to give them the benefit of his advice. They, themselves, by an overwhelming vote, voted to go back on a cash basis, and they have done remarkably well. I simply point this out as an illustration of the fact that these people can be trained to be given a sense of ownership, a sense of participation

and above all a sense of responsibility.

We have, in addition to the co-operatives to which I have referred, as hon. members know, a number of Power co-operatives, at Ile a la Crosse, Stony Rapids, Sandy Bay, Cumberland House and Pelican Narrows. These Power co-operatives are also learning, on the basis of democratic organization, to run one small aspect of their business life.

We now feel that such is the progress which the people of the north have made in running their own co-operative stores, in running at some five or six points their own co-operative fishing organizations, and also the co-operative power units that I have referred to, they have now come to a place where we can take the step we have long looked forward to, of turning both the Government Trading Stores and the Government Fish Marketing Service over to these people on a co-operative basis.

We recognize, of course, that this cannot be done overnight and that there has to be an orderly transition. What we have done is to follow very closely a pattern which has already been accepted in the province. Most hon. members will remember that, in 1939, the Saskatchewan Co-operative Creamery Association ran into some difficulty and the Government of that time had to help them out. An arrangement was set up whereby a government-appointed Board ran the Saskatchewan Co-operative Creameries with the proviso that, as they paid the Government back the money which the Government had advanced, the operation of the Saskatchewan Co-operative Creameries was to be turned back to the patrons.

So we have taken The Co-operative Creamery Act and we have followed it quite closely, as hon. members will see when we get into Committee of the Whole. The legislation which is now before the House differs from the Co-operative Creamery legislation in that the properties are to be vested in the co-operative on the basis of an Agreement of Sale rather than on the basis of a loan. Otherwise, the principle of the legislation is the same.

What we are proposing now, in dealing with the Co-operative Trading, is that these stores will be turned over to a Board appointed by the Government, made up of co-operative people who have, as a matter of fact, already been appointed to the Board while it is still a Crown Corporation. The Chairman will be the Minister of Natural Resources (Hon. Mr. Kuziak). With him there will be: Mr. H.L. Fowler, President of the Federated Co-operatives; Mr. C.S. Edy, Director of the Government Finance Office; Mr. Barney Johnson, Manager of the Co-operative Credit Society; Mr. R.L. Stutt, Superintendent of the country organization of the Saskatchewan Wheat Pool; Mr. C.H. Whiting, Chairman of the Board of Governors at the University, who is also active in the co-operative movement; Mr. McDonald, Director of Northern Affairs, Department of Natural Resources, who, as many members know, worked for something like a year with the United Nations, doing work in the establishing of co-operatives, I believe, in Ceylon. Then there is Mr. Larson, who is a Director of the Reindeer Lake Co-operative Marketing Association; and the Secretary of the Board, of course, is Mr. Phalen, Director of Extension Services of the Department of Co-operatives.

If and when this legislation passes, this Board of Directors will operate the Co-operative Trading Services Limited on a co-operative basis. The various co-operative stores will be organized as local co-operative associations. Patronage dividends will be credited back to the individuals and to the stores, so that they will build up an equity in these stores. The advances which have been made by the Government Finance Office in respect of these stores amount to some \$333,000. What we are suggesting here is that these shall be turned over to this Co-operative Trading Services for the sum of \$275,000; that is, there will be a discount of some \$58,000. These stores are probably more elaborate and are larger buildings than might be built by these people if they were building their own stores. We feel that a sum of \$275,000 (that is cancellation of \$58,000) would come quite easily within their capacity to pay.

The legislation also provides that they will make, each year, a minimum payment of \$12,000 to be applied against principal and interest. There will be an interest rate of 4 per cent. Anything they pay in addition to \$12,000 will be considered a prepayment, and the Government would match 50 per cent of their prepayment. In other words, if in one year they paid \$20,000, \$12,000 would be their regular payment, \$8,000 would be a prepayment, and the Government would, therefore, give them credit for another \$4,000, and so they would be credited with \$12,000 of a prepayment towards reducing their indebtedness.

Under the provisions of this Act we are suggesting that, at the end of five years, if they have paid off their indebtedness then, of course, the Board will be replaced by a Board elected by themselves. It may even be that if they make considerable progress we will keep adding some members elected by them and withdraw some of the government-appointed members.

In addition to this Board there will be an Advisory Committee. The Advisory Committee will meet once a year with delegates from each of the local co-operative associations. They will sit down and discuss policies. They will make recommendations to the Committee. They will get the kind of training that will prepare them for the time when they, themselves, will become the Board and assume full responsibility.

Now we put the provision in (it can always be changed at a later Session) that even if they pay out their indebtedness before five years we will still hold some control. We feel that five years is probably not too long a time to retain some control of this Co-operative Trading Service, pending their gaining the type of experience in administration which is necessary.

I should also point out that these stores – and as many members know, there are six of them, I believe: Wollaston Lake, Pine House Lake, La Ronge, Cumberland House, Stanley and Dechambeault. But there are these private co-operative stores which I mentioned at Reindeer Lake, Ile a la Crosse, Buffalo Narrows, Clear Lake, La Loche and Paddockwood. These also, of course, may join this Co-operative Trading Services Limited, and become locals buying through and working with the Co-operative Trading Services. We think that this will do several things. First, it will enable these people, because they can operate with native trained personnel, to effect some saving. Because of the fact that our Department

will give them a good deal of advice and assistance, that will cut down some supervisory costs; because of the fact that they will buy directly from the Federated Co-operatives and thereby earn patronage dividends, this will also help to cut down their costs.

We believe there is a very good chance for these Government stores turned over to the co-operatives, plus the co-operative stores that are already operating there, which will make about a dozen co-operative stores in the north working together under a centralized Board – it is true, a government-appointed Board, but a Board working with an Advisory Committee, a Board which will have added to it from time to time appointees of the co-operatives. We hope that, at the end of five years, the Board will be entirely replaced by persons appointed by the co-operative membership themselves. When that happens, of course, they will function like any other co-operative association under The Co-operative Associations Act.

I think that, Mr. Speaker, is the general principle of the legislation. I think it is a forward step. There will be some who will think we are moving too fast and some who will think that we should have moved sooner. It is not a simple thing to turn over a business venture of this magnitude to a group of people who have had very limited experience in carrying on a business. We have tried to assure ourselves that these people are now ready to take this forward step. We think they are. We think that the experience in the co-operatives I have mentioned, particularly Black Lake and La Loche, has indicated that these people can, if given assistance and advice and some training, do a first-class job of running their own business. We are confident that this has a good chance of success.

We are not saying that every one of these local co-operative associations will succeed. There may be some that will have difficulty. It is just possible that some of them may fail; but we feel they have a very good chance of success. Certainly we believe that the legislation which we are not asking the House to pass, is legislation designed to give them every assistance, and we will give them every encouragement to take this step of now beginning to operate on their own behalf services which hitherto have been given to them by the Government through a Crown Corporation.

Therefore, Mr. Speaker, I would like to move that Bill No. 77 – An Act respecting Northern Co-operative Trading Services Limited, be now read a second time.

The motion for second reading was agreed to, and Bill No. 77 referred to a Committee of the Whole at the next sitting.

CO-OPERATIVE FISHERIES

Moved by the Hon. Mr. Douglas (Weyburn):

That Bill No. 91 – An Act respecting Co-operative Fisheries Limited be now read the second time.

Premier Douglas: — Mr. Speaker, what I have said about the Bill on Northern Co-operative Trading applies pretty well to the Co-operative Fisheries Limited, with the exception of Sections 34 to 47, which are adapted to deal with the fact that this is a producers' co-operative rather than a consumers' co-operative.

The advances to the Fish Marketing Service by the Government Finance Office amount to some \$225,000. In addition to that, the Department of Natural Resources has a fish-filleting plant located at Lac La Ronge, in addition to one at Beaver Lake, and then there are plants at Pine House Lake, Dechambeault Lake and Pelican Narrows. It is proposed that what we shall do is ask the co-operatives to assume financial responsibility for the entire advance of \$225,000, but to turn over these fish-filleting facilities to them for the price of \$1.00.

In addition to that, of course, the co-operatives themselves had a fish-filleting plant at Reindeer Lake, and then they have a number of organized local co-operatives for assembling fish. The procedure will be much the same as I have already outlined. There will be the same Board, which acts for Co-operative Trading, except that for fish there may be some of the fishermen appointed as well. Each of the local co-operatives, where there is a fish-filleting plant, will gradually acquire an equity in that plant. The Reindeer co-operative or any of the other co-operatives can join this Co-operative Marketing Association. They can contract with the Marketing Association to fillet their fish and to market their fish. They will pay off on the same basis as I have outlined for Trading, \$12,000 per year being the minimum payment, and anything over \$12,000 will be a prepayment, 50 per cent of which will be matched by the Government. And again, at the end of five years, they will be in a position, if they have made their payments and have sufficient equity, to have the whole thing turned over to a Board appointed by the co-operative local association.

I don't think it needs any further explanation. The principle is the same as in the previous Bill, and I think the details can better be discussed in Committee of the Whole.

I would therefore move second reading of Bill No. 91 – An Act respecting Co-operative Fisheries Limited.

Mr. A. Loftson (Saltcoats):

I would like to ask the Premier a question or two. It looks to me as if this venture of the Government has not been a very successful one, and they now propose to unload it on to the local people.

What would be the ultimate loss to the people in this transfer, assuming that the Federated Co-ops or some of the other co-ops might take advantage of this offer and pay you cash, which would be an advance payment under your terms? As I understood you, when you were talking about

the former Bill, you were giving a discount of \$58,000; then you propose to give a bonus of 50 per cent on any prepayment. Is that a 50 per cent bonus, or 100 per cent bonus?

Premier Douglas: — Fifty per cent.

Mr. Loptson: — That is, for every \$8,000 they pay they get credit for \$12,000?

Premier Douglas: — Over and above the first payment.

Mr. Loptson: — Well, is there anything to stop the other co-ops from taking advantage of those terms? For instance, the local co-ops that may be now operating, or the Federated Co-ops, might be able to take advantage of those terms. It seems to me that, if there is a possibility of success, it would be good business for the Federated Co-ops to step in and take advantage of this offer, at the expenses of the people. I would just like to get some clarification on that. If that is possible, what would be the ultimate loss to the people of Saskatchewan?

Premier Douglas: — Mr. Speaker, first of all I want to point out that this is certainly not a case of these operations having been a flop and us trying to unload them on the people of the north. With regard to the Fish Marketing Service, I notice for this year in the report which has been tabled in this House that service sowed a net profit for the year, after making provision for the usual payment of taxes and interest on bank charges and depreciation and so on, of \$30,631. If their surplus was only that — and this co-operative is taking in a wider operation than the present Fish Marketing Service, because it will take in the operations of any of the co-operatives who choose to join and enter into a contract with them; but even if they made this \$30,000 and paid this in, there would be \$12,000 of an initial payment, there would be \$18,000 of a prepayment which would be matched by another \$9,000, so they would be paying off about \$39,000 of their indebtedness.

My friend cannot have it both ways. You cannot suggest, on the one hand, that these are flops that we are trying to get rid of and foist on the people of the north, and at the same time suggest that they are going to take advantage of the province and get them for nothing, or get them for too little.

He raises a very proper question which, I think, perhaps can be better discussed in Committee of the Whole, and that is what would happen if the co-operative movement generally loaned these people the money so that they could pay the whole thing in cash, rather than pay so much a year, and called on us to make 50 per cent of the prepayment. If that contingency arose, I suppose we would have to cope with it; but I don't think it is likely to arise. Nearly all of these co-operatives that have been formed in the north have all had loans from the co-operative movement. But the co-operative movement has never been agreeable to making them a loan unless the Government would guarantee the loan under The Co-operative Guarantee Act, because the co-operatives haven't got field staff up there. They

are not too familiar with conditions. They know it is a considerably risky undertaking, starting out people in a new type of venture, and so they have never advanced the money at any time without a Government guarantee. So all the co-operatives have been started with Government guarantees behind the loans which were made to these co-operatives.

So I can't see the co-operative movement coming along and saying we will put up \$275,000 in the case of Trading, and \$225,000 in the case of the Fish Marketing Service, so as to get a big prepayment credit. I doubt if they would do that without any guarantee. As a matter of fact, I think the place where the co-operatives can help these people will be in the matter of working capital which they may require from time to time. You will notice we have put on the Board, the manager of the Co-operative Credit Society, and the manager of the Federated Co-ops., just for this very reason that they will meet to integrate their activities with the co-operative movement, both in the matter of borrowing for working capital and in the matter of getting credit when they are buying their wholesale goods, which, of course, could not be operated in the north under normal 30-day credit that a co-operative in the south can operate on.

So I am not too much worried about that problem; but I do want to say that, from all the information we have, the co-operatives in the north and those in the south are going to act on this Board. We think the financial proposals we have made are fair and reasonable, and that they can be carried and discharged without any undue hardship.

Mr. Lopton: — It should be, if you give them 50 per cent discount. You don't sell a prosperous business on a 50 per cent discount basis.

The motion for second reading was agreed to, and Bill No. 91 referred to a Committee of the Whole at the next sitting.

The Assembly adjourned at 5:30 o'clock p.m.