

## STANDING COMMITTEE ON PRIVATE MEMBERS' BILLS

March 7, 1995

**The Vice-Chairperson:** — I call the meeting to order. And we have our first witness, Mr. Stewart Wells. Would you care to make your presentation, Stewart.

**Mr. Wells:** — Thank you, Mr. Chairman, and good evening to the committee.

Thank you for the opportunity to appear before your committee. I am speaking here tonight as a farmer, a Saskatchewan Wheat Pool member, and a former delegate. I say former delegate, as I resigned my position as Sask Wheat Pool delegate for district 4, subdistrict 8, because of the proposed changes to Sask Wheat Pool and the unfair and undemocratic way that they have been guided through the system.

At present, Saskatchewan Wheat Pool is a cooperative that is owned exclusively by its user-owners, the farmers of Saskatchewan. The proposed changes to the Act will guarantee that the exclusive ownership and control of Saskatchewan Wheat Pool by the farmers of Saskatchewan will end. It is conceivable that within a very short time more than 50 per cent of Saskatchewan Wheat Pool class B shares will be owned by non-farmers living outside Saskatchewan.

### Specific Concerns:

Number one, the fundamental nature and control of Saskatchewan Wheat Pool is going to change. At present Saskatchewan Wheat Pool will argue that only the delegates are in control of the policy and commercial operations of their company. For example, the board of directors of Sask Wheat Pool is currently arguing that only the delegates have the right to vote on the share proposal and not the full membership.

In the future, due to the illegality of insider trading and tipping, directors of Saskatchewan Wheat Pool will be prohibited from discussing important issues — that is, any financial or policy issue that may have an effect on share price — with delegates or members. If this happens, delegates will not be in control of Saskatchewan Wheat Pool.

And as an example of this, I would like to use . . . refer to a resolution that was passed at last

year's annual meeting — the annual meeting of 1994 — when the delegates repealed section 8.10 of their own by-laws. That by-law stated prior consultation with delegates. The corporation informed delegates of any major capital commitments in new fields of activity at a district meeting attended by a director or at a meeting of all delegates attended by the board prior to making such a commitment. So directors were bound to discuss these things with delegates.

This was removed at the last annual meeting, this requirement, and it's just another small step down the road to not having the requirement in place that directors have to discuss these kinds of things with delegates and in turn with the membership.

In the future, non-farmer investors will be influencing control through share prices and the investor-shareholder annual meeting. Saskatchewan Wheat Pool's economic welfare will be partly dependent on share price, and the board of directors and management will have to do whatever is necessary to satisfy shareholders regardless of the effects on farmers in Saskatchewan.

As an example, Saskatchewan Wheat Pool has been a major pillar of support for the Canadian Wheat Board and orderly marketing. It is very easy to imagine, however, a situation where Saskatchewan Wheat Pool could improve its profitability as a company if the Canadian Wheat Board were eliminated.

Through its own marketing arm, XCAN, Saskatchewan Wheat Pool could improve its financial picture, but the effect on farmers would be negative. In the stock market-based system, Saskatchewan Wheat Pool will be trying to serve two masters — farmer members and non-farmer investors who are only concerned with the share earnings. This is a fundamental change in the nature of the Saskatchewan Wheat Pool.

Number two, the changes proposed by Saskatchewan Wheat Pool are currently being contested in the courts. A group of Saskatchewan Wheat Pool shareholders, known as the Co-operating Friends of the Pool, have been forced to take legal action against their own company because of three

factors. Delegates have twice refused to hear CFOP's (Co-operating Friends of the Pool) arguments. Requests were made to appear before the special delegates' meeting in July '94 and at the annual meeting of delegates in '94. The board of directors has refused to debate the matter publicly with CFOP representatives.

And thirdly, the board of directors has refused to call a full membership vote.

CFOP has launched a statement of claim which argues in part that the delegates and directors of Saskatchewan Wheat Pool do not have the powers required to allow them to change Saskatchewan Wheat Pool from a farmer-owned cooperative to a publicly traded joint stock company. This argument leads to the need for a full membership vote. This is a precedent-setting action. If MLAs (Member of the Legislative Assembly) pass the new Act before the courts have time to consider the issue, the MLAs will be seen to endorse the changes, and the legal action may be coloured.

Further to this, at this time it looks unlikely that existing farmer shareholders are going to be compensated financially if their company is sold to the stock market. Farmer members may be allowed to sell their converted equity shares before Saskatchewan Wheat Pool becomes listed on the stock exchange through an in-house trading period, but there is no indication that the farmers will receive their just portion of the ongoing business called Saskatchewan Wheat Pool.

This is important because at the present time the farmer members own Saskatchewan Wheat Pool in its entirety. One farmer, who is currently a delegate of Saskatchewan Wheat Pool, stated it like this: if you and I both chipped in \$5,000 10 years ago and bought a quarter section of land, and now the fair market value is \$40,000, what is my share worth, \$5,000 or \$20,000?

Three, MLAs are being asked to endorse a process that has left out the members of Saskatchewan Wheat Pool. There are parallels with the Charlottetown Accord. The Government of Canada agreed on changes to be made to the constitution, but the people of Canada were allowed to vote on the proposed changes. If the MLAs use their legislative

abilities to vindicate Saskatchewan Wheat Pool's position, then the MLAs are helping to leave out the membership of Saskatchewan Wheat Pool. It is unfair for Saskatchewan Wheat Pool to ask MLAs to justify a position that Saskatchewan Wheat Pool is unwilling to justify itself through a membership vote.

It is ironic that future class B shareholders will have a vote on any fundamental changes or changes to shareholder rights, while the farmer member class A shareholders and the existing shareholders are denied a direct vote. I will be coming back to this point later.

Number four, MLAs will be changing the legal definition of a cooperative if the proposed new Act makes any reference to Saskatchewan Wheat Pool being a cooperative. From 1924 to 1995, Saskatchewan Wheat Pool has not been referred to as a cooperative by the present Act. In practice however, Saskatchewan Wheat Pool has been operating as a cooperative by allocating patronage dividends to members on the basis of their use of the cooperative.

Under the provisions of the new Act, these patronage dividends will be eliminated, which means that Saskatchewan Wheat Pool will no longer comply with the six cooperative principles with which cooperatives generally define themselves.

There is a broader value system that is more widely accepted by farmers based on equity, equality, and people helping each other, which cooperatives also use as an umbrella definition. And Saskatchewan Wheat Pool will not be able to comply with this value system either.

The six cooperative principles are acknowledged worldwide and have roots that extend back to commercial operations in Rochdale, England, in 1844.

The principles are: one — open and voluntary membership. Two — democratic participation. One member, one vote, regardless of the amount of equity held; no voting by proxy. This principle is violated when the membership of the Pool is not allowed to vote directly on the issue of winding up an entity which has practised co-op principles successfully for the past 70 years. In addition, non-members of the Pool, once shares are publicly issued, will have the right to vote, including by proxy, on

matters in which they believe their rights will be affected. This is a right which is being denied current shareholders of the Pool and future class A shareholders — farmers — of the Pool.

Three, limited interest on share capital. Co-ops are organized to provide services and are not for investment purposes. This principle is violated since the whole point of issuing shares to outside investors is to provide them with a return on capital comparable with other investments.

Four, surplus earnings returned to members. Savings are returned to members in proportion that they make use of the co-op. For many members this principle is the soul of a cooperative. This principle will be violated as patronage dividends to members will cease — and, I have to add, in defiance of a resolution passed at the November '94 annual meeting of delegates to continue to pay patronage dividends until the time of equity conversion to shares. The board of directors of Saskatchewan Wheat Pool has already ceased to pay patronage dividends to farmers.

The fifth principle is cooperative education; and the sixth, cooperation among cooperatives.

In the proposed changes to the Act adopted by Sask Wheat Pool delegates in July 1994, for the first time ever Saskatchewan Wheat Pool is trying to name itself a cooperative in the new Act. MLAs will be changing the definition of a cooperative if Sask Wheat Pool is allowed to refer to itself as a cooperative in the new Act.

By passing the Act, MLAs will enshrine Saskatchewan Wheat Pool's right to call itself a cooperative even though it does not allocate patronage dividends to farmer members and even though there may not be any farmers that own Saskatchewan Wheat Pool stock. This has become known as the green cheese argument. MLAs may legislate that the moon is made out of green cheese, but that does not make it so.

In its own documents Saskatchewan Wheat Pool states, "actions and not words are the proof of determining whether or not an organization acts like a cooperative". On this basis I would ask that your committee recommend that section 3(1)(c) be dropped from the Bill.

For the first 70 years of its history, when Saskatchewan Wheat Pool was a cooperative, it was not called a cooperative in the Act, but now that Saskatchewan Wheat Pool will not be operating as a cooperative it desperately wants to be called one.

Legislators like yourselves are elected to stop this kind of deception from working its way into provincial law.

Five, there will be negative consequences for the provincial economy of Saskatchewan. Will it be in the best interest of Saskatchewan to have its largest grain handling company owned by non-farmer investors? How will Saskatchewan Wheat Pool differentiate itself from other profit-driven companies like Archer Daniels Midland or Cargill? At the very least there will be millions of dollars flowing out of the province to service dividends to the stock market. This is money that is currently paid to Saskatchewan farmers and consequently recirculates mainly in Saskatchewan.

At the very least the non-farmer investment in Saskatchewan Wheat Pool will weaken its voice on agricultural issues. The detractors of Sask Wheat Pool will be able to say, who is the Pool speaking on behalf of today — farmers or Bay Street; Saskatchewan or Ontario?

I would now like to turn to some specific examples of Saskatchewan Wheat Pool misleading its members, delegates, and through the MLAs, the people of Saskatchewan. Firstly, in the explanatory notes to the new Act, Saskatchewan Wheat Pool says:

The proposal is to amend the present Act only to the extent necessary to permit Saskatchewan Wheat Pool to raise equity on the capital market.

This statement is false. Evidence that this statement is false is throughout the explanatory notes in Bill 04. Provisions under section 4(f) of the existing Act have been deleted with a result that it will be much easier for delegates to install non-members to the board of directors.

And I'll quote from the explanatory notes to the Act. This is a point that we were actively discussing this morning. In the explanatory

notes it says:

The existing Act, section 4(f), provides that Saskatchewan Wheat Pool may provide for the election of directors by the delegates from each district. These provisions have been deleted from the Act and placed in the by-laws so that in the future the delegates, by a two-thirds majority vote, can decide whether they wish to nominate and elect any directors to represent the holders of the class B non-voting shares. This amendment gives the delegates authority to do that without going back to the legislature for a further amendment.

Does this change have to be made in order to permit Saskatchewan Wheat Pool to raise equity on the capital market? I would argue absolutely not. The sole reason for this change is to make it easier for non-members to sit on the board of directors.

In the explanatory notes, this statement appears: "Fundamental co-op attributes do not change." This statement is false. As has already been pointed out, Saskatchewan Wheat Pool will be in violation of cooperative principles two, three, and four. Therefore Saskatchewan Wheat Pool cannot say that its fundamental co-op attributes do not change.

In the material given to delegates by the board of directors prior to the July, 1994 special meeting of delegates, this statement appears:

It is expected that the existing farmer-owners will maintain their ownership position of Sask Wheat Pool by retaining their Class "B" Non-Voting Shares.

This statement is false. Saskatchewan Wheat Pool is arranging an in-house trading period, one purpose of which is to transfer ownership away from existing farmer-owners.

The Pool has also been preparing itself for the situation where more members want to sell than buy shares. The Pool has said:

. . . if more members want to sell than buy shares then other purchasers need to be found. That may include employees, pension funds, insurance

companies, etc. If necessary, the Pool itself will also purchase shares up to a pre-determined dollar limit.

All of this goes to show that the Pool does not expect that the existing farmer-owners will maintain their ownership position.

Before concluding, I would like to spend some time discussing the representative democracy that Saskatchewan Wheat Pool has been holding up as its shield during the last 12 months.

I was a delegate when the share proposal was brought forward. There was no meaningful discussion of this proposal at the three annual meetings of delegates leading up to the announcement of this initiative.

Also, the initiative was made public less than 24 hours after delegates were elected in the even-numbered Saskatchewan Wheat Pool districts. Is this how representative democracy works? No delegate running for election in the spring of 1994 — and I should add that I myself was up for election last spring — could use this as a campaign issue because the plan was not made public until the day after elections were over.

Further to this, delegates were freed from the obligation of having to listen to the members, or indeed voting the way the members asked them to. In a memo from Leroy Larsen, president of the Saskatchewan Wheat Pool, to delegates and district representatives, dated March 25, 1994, Mr. Larsen asked the questions: "How do delegates make this decision," and "What is the nature of member involvement and influence?"

He then answers the questions by saying, "The given is that each delegate makes his/her decision based on whatever criteria and process he/she deems appropriate."

In doing this, Mr. Larsen has told the delegates that it is perfectly acceptable for delegates not to seek out the opinion of their members, or having found out the opinion, it is acceptable for delegates to ignore their members' directives.

Now when members and delegates see this non-representative democracy in action, is it any wonder that there is no incentive for

members to run for the position of delegate? For a number of years Saskatchewan Wheat Pool has been engaged not in representative democracy but in theatrical democracy, and this has not been lost on the members.

I'd like to give another example of that, and it comes by way of information that delegates were given almost exactly a year ago, in March of '94. When this proposal was unveiled to delegates, we were given a 26-page document that was marked confidential; for discussion only. This was near the end of March last year. And because it was titled confidential, and there was some talk at the meeting that it should be regarded as confidential, delegates were somewhat concerned about sharing this with their membership.

I in fact decided that this issue was big enough that the membership needed to be informed and be as up to date as they could. I made copies on my own, paid for them myself, distributed them to my committee members and any other interested members in my area.

At the next district meeting of delegates, which in my district included nine delegates plus the Saskatchewan Wheat Pool district representative, I was severely chastised by my director — Saskatchewan Wheat Pool director — for having shared this so-called confidential information with my members.

Now I had previously somewhat covered myself on this because I had had the discussion with another delegate from my district and the district representative. I had asked them if they thought there was anything sensitive in this document that I shouldn't be sharing with my members, and they agreed with me that no, almost all of this is available in Saskatchewan Wheat Pool annual publications.

So I was severely chastised by my director for sharing this with my members. I believe that the date was May 30. The very following day we had ... Saskatchewan Wheat Pool sponsored an informational meeting held in Swift Current, which Mr. Larsen, Mr. Loewen, Mr. Spencer, Mr. Canham, and several other representatives of the Wheat Pool attended, along with more than a hundred farmers from the area.

And at that meeting, when we were discussing

the need for a full membership vote, my director got up at the meeting and made the statement, quote: Of those 85,000 members, I would estimate 20 per cent may be maximum; I doubt if that many will understand this issue. So that was on, as I say, May 31. On the previous day, May 30, he was telling me that I should not be sharing this information with my members in my area.

Now I don't think you can have it both ways. You can have it one way or the other.

So my recommendations for this Bill, Bill 04 as it stands, Bill 04 deserves to be defeated by the legislature of Saskatchewan. If MLAs refuse to defeat the Bill, then I recommend that amendments be made; namely, that you do not proceed with the enactment of Bill 04 at this time, but appoint an eminent person or persons in the cooperative movement to review the situation and make recommendations.

Number two, an amendment should be introduced to require that before proclamation, the Pool directors must submit a certificate stating that the changes contained in the legislation have been approved by a direct vote of the member shareholders.

Number three, an amendment should be introduced providing for a sunset clause in the legislation. This should provide that if the conversion and a vote are not completed within six months after Royal Assent, the Act expires.

That clause 3(1)(c) be deleted. There is absolutely no reason for the MLAs to legislate that the new Pool is a cooperative. As the Pool itself says, actions and not words are relevant here.

I recommend that the provisions that make it easier for class B shareholders to become board members be removed.

I recommend that the Saskatchewan Securities Commission should have full authority to oversee the in-house trading period.

And lastly, I recommend that the MLAs retain for the Lieutenant Governor in Council the power to proclaim the legislation rather than vesting that power in the Pool board of

directors.

Thank you for your time.

**The Chairperson:** — Thank you very much for your thoughtful presentation, Mr. Wells. Are there questions for Mr. Wells?

**Mr. D'Autremont:** — Thank you, Madam Chairman. Thank you for coming forward, Mr. Wells. I'm not sure if you were here this morning when I asked Mr. Larsen and the Pool representatives about the delegate selection process and the responsibilities. If you were and you recall what they said, do you agree with that being the structure that the Pool has operated with since its inception?

**Mr. Wells:** — I was here but I don't recall their answer.

**Mr. D'Autremont:** — Basically that the delegates were selected from the local members in that area within the district. Those delegates then joined together within an area, designated area, to pick a director from that area and that director sat on the board of directors for the Wheat Pool. Is that correct?

**Mr. Wells:** — Yes.

**Mr. D'Autremont:** — Okay and the responsibilities were those as outlined in the legislation for the Wheat Pool and that was also to carry messages back and forth from the membership to the board of directors and from the board of directors back to the membership. Correct?

**Mr. Wells:** — Yes.

**Mr. D'Autremont:** — Okay. You were saying that you were a delegate at one point in time when this was initiated and as it proceeded. Did you or did your delegate — and I believe you said you had some information — but did you sit down with the membership to discuss it in the broad area that you would have been a representative, or did your delegate do that?

**Mr. Wells:** — I'm not just sure. I was the delegate in my particular subdistrict.

**Mr. D'Autremont:** — Okay. So you sat down . . . you said that you held meetings, and you weren't sure if you should have.

**Mr. Wells:** — Well I think it was understood that the onus was on each delegate to make up their minds in any way they saw fit, as per Mr. Larsen's memo.

Now when it comes to sitting down with the members, I went through the 26-page document with all of my committee members which would, in round figures, be about 60 people. That would be the elected representatives from those local areas. And I went through the document with them in a lot of detail, as much detail as we could, you know, during a two- or three-hour meeting.

**Mr. D'Autremont:** — But you didn't hold a meeting. You didn't advertise or indicate somehow to the general membership that . . .

**Mr. Wells:** — Yes. I did. I don't know . . . As it was left, the individual responsibility was left up to the delegates themselves. I'm not sure how widespread this was, but I in fact did hold a general membership meeting in Swift Current. I could find the exact date, but it was before the May 31 meeting that was sponsored by Saskatchewan Wheat Pool, and it was sponsored by the committees in my subdistrict. And we held that meeting in Swift Current, and it was advertised as widely as we could.

**Mr. D'Autremont:** — Okay. And you're no longer a delegate, right?

**Mr. Wells:** — Right. I've resigned over this in August of last year.

**Mr. D'Autremont:** — Are there any restrictions placed on who can and cannot be a delegate?

**Mr. Wells:** — The qualifications are set out, I believe, in the by-law no. 1 of Saskatchewan Wheat Pool, and so there are criteria that have to be met.

**Mr. D'Autremont:** — Okay. As a delegate, were you given an opportunity to speak at a delegates' meeting, either within your area where you would have been meeting with your director and the other delegates, or at a general delegates' meeting?

**Mr. Wells:** — Yes. There were several opportunities for that. There was the meeting . . . this meeting in March, that was a fairly large meeting of roughly half the delegates, met in Regina one week and the next week . . .

or a few days later the other half met in Saskatoon. There was the special meeting of delegates in July '94 when this was debated and voted on. And there was opportunity there to speak.

**Mr. D'Autremont:** — It's your contention that the Wheat Pool will not be a cooperative under this piece of legislation; you're saying that because patronage dividends will no longer be paid out. Is that why?

**Mr. Wells:** — That's one of the reasons.

**Mr. D'Autremont:** — Are there any other reasons why you believe that the Saskatchewan Wheat Pool will not be a cooperative?

**Mr. Wells:** — Well on the . . . as I had listed in the brief . . . if I can just refer to them again. I believe that the democratic participation principle . . . and I'm using these six cooperative principles that are currently in use by CCA, Canadian Co-operative Association, and worldwide. Principle no. 2, I believe is being violated.

Principle 3, the limited interest on share capital where co-ops are organized to provide services and are not for investment purposes — that's a very important one to me because my rationale, my reasoning for wanting to deal with a co-op, is that I used to feel that co-ops had no reason to take advantage of me. I was the owner. Any extra, surplus money that ended up in the coffers at the end of the year would be distributed partly to me on the basis of my use of the co-op.

So I had this inherent trust relationship with the co-op, and that will disappear in the new . . . if you want to call it, the new Pool. That trust type relationship that I used to have with the Saskatchewan Wheat Pool will disappear.

**Mr. D'Autremont:** — Okay. The method of share dividends versus the method of patronage dividends. What would be your explanation of a patronage dividend, and how would that differ from a share dividend?

**Mr. Wells:** — That's a very important point because as a Saskatchewan Wheat Pool member presently, until the end of July this year . . . or excuse me, end of January this year when the board suspended allocation, I,

just by virtue of being a member, automatically qualified for the patronage allocation. I didn't have to do anything else. All I had to do was do some business, didn't matter how much, but I would get a share of the surplus profits, the money generated.

That was my — if you want to put it in this sense — that was my guarantee that I was getting services at cost because there were no investors in Toronto or Hong Kong that would be demanding a share of the profits.

In the new organization, this money will no longer be coming to me just on the basis of my membership with Saskatchewan Wheat Pool. I will have to own class B shares if I want to have any share in their profits whatsoever.

Now it's perfectly reasonable for someone like me, who has lots of alternate uses for the money that I could have tied up in class B shares, to simply sell all my class B shares and not have any financial holding in Saskatchewan Wheat Pool whatsoever except my \$25 membership share, if I chose to keep that. On that basis I could still be a farmer. I could still do some business with the Pool, if I chose to, but I wouldn't receive anything that was at all comparable to the old patronage allocation. I might receive marketing incentives or trucking incentives or whatever the marketplace demanded from the Pool at the time.

**Mr. D'Autremont:** — Well I guess that would be your option though as an owner of that equity share.

Would not farmers though also have the opportunity to purchase more equity shares and therefore increase that — their personal holdings — within the corporation?

**Mr. Wells:** — My understanding is that that 10 per cent cap would apply to anyone interested in purchasing the class B shares. So if they had the ready cash or wanted to make some other sacrifice in some other area, I think they could.

I think over the long term, longer term — and especially I think we all realize that agriculture especially has some ups and downs and some cycles in it — I would have to argue that when farmers are in financial straits like they were in the middle to late '80s, that a lot of these class B shares held by farmers would be liquidated

so that they could use the money elsewhere and I'm not sure those shares would be repurchased in the good times. They may be, but they may not be; but I think we can always argue that there are going to be bad times for farmers.

The stats that just came out in the media last week when the Crow pay-out was announced surprised me. I wasn't aware that there was so much farm land held by financial institutions. Now I'd be surprised if the farmers who were in that kind of trouble could justify making increased purchases of class B shares to increase their ownership of the Pool.

**Mr. D'Autremont:** — Well conversely, if some of those farmers had had access to that equity, the banks might not have ended up with the land. Thank you, Madam Chairman.

**The Chairperson:** — Are there any other questions?

**Mr. Carlson:** — Yes, I'd like you to just expand a bit on the area that . . . it's on your second page, you're talking about the Canadian Wheat Board and orderly marketing and XCAN grain. Could you just expand a bit on that paragraph?

**Mr. Wells:** — Well yes. I'm discussing the possibility here that Saskatchewan Wheat Pool's . . . what's the word I'm looking for. I'm thinking that a situation could arise where Saskatchewan Wheat Pool could improve its profitability if the Wheat Board disappeared.

Now I will be the first to admit that over the years Saskatchewan Wheat Pool has done a lot in terms of preserving the integrity of the Canadian Wheat Board. And I think that farmers need that kind of representative out there working on their behalf. The Pool has the money; it has the organization; it has the organization in the country to do an excellent job of protecting the Canadian Wheat Board.

In this new system, in what I'll call the new Pool, when they have to be generating the bottom line that will keep investors happy, I think that they might not be able to afford to take policy decisions which may lead to a decline in share price, or conversely, a decline in their profit picture.

And so that's the worry here, that they will in fact be in a sort of conflict of interest position in

regard to the Canadian Wheat Board. And they may still . . . you know this is the kind of thing that won't happen overnight and I don't expect we'll wake up tomorrow and the Wheat Pool will be saying, oh let's get rid of the Canadian Wheat Board. But I'm worried about the erosion over a number of years.

**Ms. Stanger:** — Thanks for coming, Stewart. It would seem that existing farmers could retain their ownership of the Saskatchewan Wheat Pool by buying class B shares or transferring to class B shares, but in your presentation you said Saskatchewan Wheat Pool is arranging an in-house trading period, one purpose of which is to transfer ownership away from existing farmer-owners. I wonder if you could just expand on that.

**Mr. Wells:** — Well as I understand it, the in-house period is a mechanism that's being used outside of the auspices of the Saskatchewan Securities Commission, but one purpose of the trading period is to allow a farmer like me to sell my class B shares in order to recoup my equity that's in my individual account now. And I don't think there's any justification for people to think that existing farmers like myself are going to keep my shares.

I am going to liquidate them at the first opportunity. I've said this; I said it at the special meeting of delegates last July, and as a farmer in the province in the conditions that I'm in currently, I can't afford to keep those class B shares in there so I will be selling them. And this in-house trading period is a mechanism that I can do that before these shares actually go to Toronto and are subject to the ups and downs of the market. And so the way I understand it, the value of these class B shares will be pegged at a certain predetermined value during this in-house trading period

**Ms. Stanger:** — Okay. My second question: provisions in the Bill make it easier for class B shareholders to become board members. The chairperson, Mrs. Teichrob, was asking about that today. I didn't see that clearly, neither did she, and I'd like you to explain that, please.

**Mr. Wells:** — Okay. Well what I'm referring to there is the quote that I used from the explanatory notes that were with the copies of the Bill that we received. And to paraphrase it and put it another way, the way I understand



the process now, presently under the present Act, it's a two-step process for a non-member of Saskatchewan Wheat Pool to be able to sit on the board.

First, the delegates would have to petition for an amendment to the existing legislation, and then once having received that, then they could pass a resolution naming anyone to the board of directors. That's my understanding.

If this Act is passed, that will be reduced from a two-step process to a one-step process where delegates could go into any meeting of delegates — a special meeting or an annual meeting — and by passing one resolution, they could name non-members to the board of directors.

**Ms. Stanger:** — Would this require a two-thirds vote?

**Mr. Wells:** — Yes, that's my understanding.

**Ms. Stanger:** — Thank you very much.

**The Chairperson:** — Any further questions? If not, then thank you very much, Mr. Wells.

**Mr. Wells:** — Thank you.

**The Chairperson:** — The next witness will be Philip Sanden. Welcome, the floor is yours.

**Mr. Sanden:** — Thank you, Madam Chairman, and committee members. I'd like to thank you for this opportunity to make a presentation to this committee. Some of the statements and figures in my presentation need to be qualified for discussion purposes this evening. I've assumed that the Saskatchewan Wheat Pool handlings, both in Craik and in the province, and the rate of allocation to those members doing business with Saskatchewan Wheat Pool in the year '94-95, are the same as the handlings and allocations made by Saskatchewan Wheat Pool in 1993-94.

Saskatchewan Wheat Pool's '94-95 capital building budget would be similar to the '93-94 figure as well.

What would the Sask Wheat Pool equity conversion mean to Craik? I farm at Craik; I've done so for a number of years. Craik is situated midway between Regina and Saskatoon. It has a population of just under

500. The surrounding area is primarily cereal, oil-seed, and livestock country with some pulse crop diversification. It is one of the 477 communities that Sask Wheat Pool does business in.

Sask Wheat Pool elevator at Craik employs three full-time staff. Approximately 100 members do a majority of their grain handling business with the grain cooperative. Another 350 members have some business dealings with Craik point during the year. It should be noted that a number of the 450 customers are from outlying communities that do not have a grain cooperative in their local town or village. Sask Wheat Pool handles approximately 50 per cent of the grain that is delivered to the Craik point.

In March, 1994, \$69,547 was credited to or paid to Sask Wheat Pool members at the Craik point. As well, another \$8,727 was paid to the federal government on the members' behalf as withholding tax.

Of this \$69,000, approximately 12,000 was paid in cash to retired members, retiring members, or estates and corporations. The remaining 57,398 was credited to other Sask Wheat Pool members' equity accounts. These members are under the age of 65 and are not currently eligible for a cash repayment. This \$57,000 is what I would like to discuss during part of this presentation.

What would \$57,000 in real money mean to the community of Craik in March, 1996? If these dollars are in the form of cash, those Sask Wheat Pool members could use these funds for the day-to-day operations of their farm or for debt repayment. I don't need to tell you what \$57,000 would mean to the business community of Craik. If the equity is in the form of public shares, they may be used to build a retirement portfolio. Whatever the case may be, these funds will actually increase in net worth of a member's operation.

As you are no doubt aware, currently cooperative equity shares are not used in determining one's net worth, for the obvious reason being that if a cooperative happens to be in financial difficulty when you're eligible, you will not receive your equity payment. There's no legal obligation on the cooperative's part to pay out equity if it finds itself in financial difficulty.

I truly believe the share conversion and the approximately \$57,000 in real money will provide a much needed economic boost to the community of Craik.

How does the equity conversion affect Sask Wheat Pool financially? I'll compare Sask Wheat Pool's equity to my own farm's debt. I have long-term liabilities that are paid down yearly with earnings from my farm. These long-term liabilities are not to be confused with the short-term liabilities that are taken on to smooth out the cash flow for the day-to-day operations.

Yearly I know my obligations in term of payments for long-term debt. If I cannot generate enough earnings to satisfy the day-to-day requirements and the long-term requirements, I get into financial difficulty.

I see the Sask Wheat Pool equity in this light. There is substantial equity pay-out requirements in the next 15 years. I believe this is similar to long-term debt obligations. It is approximately 104 million. This may or may not be spread out evenly over the next 15 years as members may choose to retire early during the next economic upswing.

There's also the yearly equity pay-out generated on members' business during these next 15 years. It will be in the order of 15 million per year. Adding that to the capital building requirements of 31 million over the next 15 years will create financial obligations I believe cannot easily be met from the net earnings.

As on the farm, this will not happen overnight. There will be a subtle shift in the wrong direction, and given the next downturn in the agriculture industry, will pose serious problems for Sask Wheat Pool.

Some of the options that Sask Wheat Pool could employ. They could diversify; this will increase yearly earnings. Affiliated companies already in place have a positive influence on the balance sheet of Sask Wheat Pool. However, as on the farm, diversification is expensive both in long- and short-term debt and does not always reap rewards in the short run.

They may improve day-to-day operations. The phasing-out or improving of inefficient

practices and facilities, as well as strict inventory control and manpower allocation and other prudent business practices, will improve the bottom line to a degree, especially if it hasn't been looked at already. I believe this area has been looked at and improvements have been made and will continue to be made.

They may postpone or scale down modernization and system improvements. This flies in the face of the previous option and is only a very short-term remedy for cash flow problems. This practice would jeopardize the organization's financial health if carried out to the extreme.

They may sell off parts of the whole. Some of the affiliated companies may be attractive — and that should read — to other competitors; this presentation is not without a typo. This would generate the funds needed at the times during the future. It's not an option that makes much sense to me however.

Discontinue or prorate equity payments: I believe this to be an option for cooperatives that should be exercised only in times of extreme financial distress. They may convert members' equity to public shares. This would allow Sask Wheat Pool to get out from under, if you will, some of its long-term debt while still providing the members with their equity. This will free up money that will allow Sask Wheat Pool to continue to do the things necessary to maintain a financially healthy organization.

I really realize this is an over-simplification of the problem facing Sask Wheat Pool, and no doubt there are more options that escape me at this time. However I've been a member of Sask Wheat Pool since 1971 and an active committee member since 1974. I believe that the share conversion is a financial matter and not, as someone suggested, a philosophical one. I do not fear erosion of democratic control or loss of the grass root input because of the share conversion. On the contrary I believe member input will increase as a result of the share offering. I maintain that if it looks like a cooperative and acts like a cooperative, then there's a pretty good chance that it is a cooperative.

I thank you for your attention and urge you to pass the necessary legislation that would enable my cooperative the financial flexibility to continue to be a world-class competitor in the

grain industry. And I would be happy to try and answer your questions or concerns. Thank you very much.

**The Chairperson:** — Thank you, Mr. Sanden. Are there questions for Mr. Sanden?

**Mr. Kowalsky:** — I would just like to ask a few questions about the nature of a cooperative. You spent little time discussing . . . (inaudible) . . . going to ask about that.

Right now the Wheat Pool, or any other cooperative for that matter, I believe its assets are sort of made up of two sections: those physical assets that it has, and then there's this bundle of money that are known as patronage allocations. Co-op members are entitled to their allocations, and in a sense I guess all of the co-op shareholders have an equal ownership of the assets. Is that true?

**Mr. Sanden:** — Yes, I believe that would be right.

**Mr. Kowalsky:** — If you need . . . if somebody else would . . . I don't want to mislead myself here on this, but does that mean that if the co-op would dissolve and those assets were to be sold, they would be distributed equally amongst all the shareholders? I see somebody behind you shaking his head there. I'm not sure if that's a fair question to put to you. But this . . .

**Mr. Sanden:** — I couldn't answer that. I'm not sure if that's the way it would work or not.

**Mr. Kowalsky:** — Maybe I'll pass with the questions, and I'll ask them later of the board of directors.

**Mr. Sanden:** — I'm sure there would be somebody here that's more qualified to answer that than I am.

**Mr. Kowalsky:** — Okay, I'll just pass on that because . . .

**The Chairperson:** — Okay, we'll just make a note of that.

**Mr. Roy:** — Thank you very much, Madam Chairperson. And I want to welcome you here, Mr. Sanden, tonight.

I see in your presentation that you do not fear

the loss of control of Saskatchewan Wheat Pool if class B shareholders were non-farmers. And this morning in some of the presentations, we heard I think numerous presenters indicating that if a block of class B shares was purchased by non-farmers and say, for sake of argument, that it was \$200 million but that it was a significant amount of money, that they could eventually wield some influence on the future direction of the corporation, just by the sheer force of that amount of investment. Do you think that that is a credible possibility in the future?

**Mr. Sanden:** — I don't believe so. And I don't feel that the loss of control will happen either. I don't believe in the delegates, that are basically farm members now, I don't believe would stand for having someone come on the board that is not, you know, like a class A shareholder that would not be in the farming industry, would not be a farmer.

I don't believe that the membership as I know it now, like back home, would allow the delegate to vote that way, to accept someone like that. Like I feel very comfortable with not losing that. And I believe that there will be more input from the people at home if they have class B shares.

**Mr. Roy:** — Okay, you then believe that class B shareholders would be just happy to sit on the sidelines. And say, for sake of argument again, it's a large amount of money, and they would sit on the sidelines and say, we're not going to try to influence or try to make a move as far as getting on the board of directors. We'll be satisfied with allowing the class A shareholders and board of directors to control the direction of this corporation.

**Mr. Sanden:** — Well I don't think that they will always be happy for one reason or another, and I don't believe that they wouldn't try and influence the organization. But I believe the make-up — as I understand it or as I see it now — I don't think would be swayed by that.

**Mr. Roy:** — Thank you.

**Ms. Stanger:** — Just to follow up on that one. I notice in your presentation you said — and welcome by the way — I truly believe the share conversion and approximately 57,000 in real money will provide a much needed economic boost to the community of Craik. So

you're assuming that most of the people wouldn't be interested in taking up the class B shares. That's just . . . and the supplement to that is, it doesn't bother you if people that are in the farming community now that have equity don't take up the class B shares?

**Mr. Sanden:** — Well what I meant in terms of the 57,000 coming to the community of Craik, if everything happened this year as happened last year and the allocations were the same, that would be the money that would be allocated to the community. Now obviously some will take it as cash or sell their class B shares, and some will keep it and perhaps use it for retirement. So I'm not expecting it all to be turned into cash, but I'm not naive enough to believe that some of it won't be. I mean some are in different financial positions. But that would be if everything was the same last year as next year and the year on.

About 57,000 would be coming to those members in Craik, and for want of a better word I term it real money. You know they take it and turn it into cash and spend it at home on whatever, or they use it to make a retirement . . . an RRSP — or whatever. I fully expect some will be turned into cash, and some will be kept.

**Ms. Stanger:** — Thank you.

**The Chairperson:** — Any further questions? If not, then thank you very much for coming, Mr. Sanden. The next witness is Mr. Wallace from Stewart Valley.

**Mr. Wallace:** Good evening.

**The Chairperson:** — Welcome, Mr. Wallace. The floor is yours.

**Mr. Wallace:** Thank you. Well I was going to really give a good speech here tonight. But I had supper with my son, and he pulled my teeth because I'm really po'd. I hope you people understand this, what that means. I was even going to talk about Don Loewen being a union buster. And I was going to talk about the jerks who believe that an organization can be a cooperative when it trades stocks on the Toronto Stock Exchange. And I was going to talk about my old pal John Beke over here, as he might be a good representative or member of the O. J. Simpson dream team. But I was told by my son not to

say any of these things. So I'll carry on with a more mellow version.

Well because the management of the Wheat Pool keeps changing the rules — every day it seems — we have a hard time keeping up and reacting to what they're doing to us. That communication that just came out under or over Larsen's name here just recently to some of the staff members I understand . . . Because not all staff members have been offered this 25 per cent reduction in what I already own with a forgivable loan.

What I'm saying here is that I'm not very happy with what has happened to a magnificent organization in Saskatchewan. I'm saying here that I didn't really want to drive 180 miles from home to participate in something that I don't think is going to make much difference. But I might modify that a little bit. I see that people are listening; you people are listening intently tonight, and I hope that that will make a difference.

I've had reports though, from people that were down here last week when the federal budget was brought down, and when some of the cabinet and some of the NDP (New Democratic Party) caucus met with the Co-operating Friends of the Wheat Pool, and I was told in those reports that minds had pretty well been made up. So I will withhold judgement on that.

Despite my misgivings, I was convinced by comrades in this struggle against the destruction of the Wheat Pool to come and voice, once again, opposition to the methodical destruction of the Saskatchewan Wheat Pool, including its very foundation — the loyalty and belief in cooperation of the majority of the membership.

Despite my confidence that this exercise is simply that, I have been convinced that there is a need to read into the record as completely as possible, the facts of our opposition — and that is being done very adequately, as I heard this evening — as well as the passion of those who oppose the destruction of the Saskatchewan Wheat Pool. And I hope to be able to convey some of the feelings of the membership at large out there.

By way of definition, destruction of the Saskatchewan Wheat Pool simply means that

it has or will become something other than a cooperative. Some people choose to use privatization of the Saskatchewan Wheat Pool.

I'm Ed Wallace. I farm a debt-free grain farm in the Swift Current area. And some of you will appreciate that debt-free part. I was, up until last July, a member of the Saskatchewan Wheat Pool committee in Success. And for the last couple of years on that committee I was the secretary.

In the early years of the 1970s, I served as an executive assistant to one of the ministers here, and he happens to be here tonight — Eiling Kramer. I graduated, if you will, from that to becoming a special assistant to Blakeney.

So knowing from the news that not much changed around here in the way of doing business since that time, no doubt some of my feelings about what might not be accomplished are well founded.

By the way, in 1974 I was also a candidate for the NDP in the federal constituency of Swift Current-Maple Creek. And that's when it wasn't cool to be NDP federally. And they've had a couple of occasions like that since.

But let me segue back to the present on this. I think it's worthy to note that the Saskatchewan Wheat Pool in 1974 pretended to be an apolitical organization at that time. And for better or for worse, they've certainly dropped that position recently. They also had developed at that time that now all-too-familiar, we-know-better-than-you arrogance, which for worse, still persists today.

In July 1994, at a special meeting called by our committee chairman following the vote by the delegates in Saskatoon to destroy the Saskatchewan Wheat Pool, our eight-person committee, in a unanimous vote, decided to resign *en masse* from the committee. It was clear to most of us that existing as a committee for an organization which was to be destroyed was not only futile but foolish.

Those of us who considered the ramifications of this destruction of the Saskatchewan Wheat Pool even further saw an immoral part for us to play in the role of a representative for the . . . a local representative for the stock market.

Now when Leroy Larsen was asked about our

mass resignation by a CBC (Canadian Broadcasting Corporation) reporter, Leroy left a false impression without hesitation. Now note I didn't call him a liar. That might fit, but I didn't call him that.

He said our committee had resigned before. That was patently wrong, and he knew it. It is true that a Success committee had resigned in the early 1980s when Saskatchewan Wheat Pool management decided to take part in negotiating away the Crow. But that was an entirely different group of people. Just as principled, mind you, but a different group entirely. And I might say, none of those were ever a part of our committee.

Having talked to some of those former committee members, I know it gives them perverse joy to see good old Leroy crying the blues about injustice of what the Liberals have done to the Crow and to us recently, and they can't help but mutter, we told them so.

At Success, we tell them a modified version of an old lawyer joke. It goes like this: what do you call a Wheat Pool delegate with an IQ (intelligence quotient) of 65? — Mr. President.

But I should note here also that prior to our resignation at Success, our committee was first off the mark in all of the province to oppose this plan to destroy the Saskatchewan Wheat Pool.

Let me clarify this. What we were saying, what we are still saying is this: if the Saskatchewan Wheat Pool is going to be destroyed, the membership at large should have a vote. There should be a membership-wide vote.

We started our opposition to the destruction of the Saskatchewan Wheat Pool long before others became active. As a matter for the record, I asked the Farmers Union at the time, where are you; how come you're not supporting us in this? And the answer was that they were having internal problems and all their energies were being spent on that. We accepted that.

We implored people with connections to this government to use any influence they could to do what they could to stop this destruction of the Saskatchewan Wheat Pool. We were told that Roy didn't want to get involved in the matter. We still don't accept that.

The reason we were first off the mark in our opposition, in our insistence on a free vote by all members, is because we had a delegate whose background in and commitment to cooperation demanded that he tell us all he knew early so that we would know that the destruction was on its way.

Further, for the record, Stewart Wells has been a steadfast warrior in this struggle against the destruction of the Saskatchewan Wheat Pool. He has been a mentor, a continuing source of information about the Wheat Pool management, and analyser of the information, and a strategist. And he has my deepest respect and thanks.

Now having told you what I see as my reason for being here, and some background so you know where I come from, I would like to cover a couple of other points.

A scholar, a future historian with a benefit of hindsight, will define the essence of the events which have occurred in recent memory — say the last decade or so — and which continue to occur in our midst. These events, which will in future be recognized as pivotal in the demise of rural life in Saskatchewan, have for the present been masked by our government and so-called farm leaders as positive steps toward the future. This is nonsense.

Some of us directly involved, who make our living off the land, do not believe that present-day players like Ralph-give-up-the-farm-for-Goodale, when he says that doing away with the Crow benefit is going to be an improvement for us down on the farm, we don't buy that.

We are a bit amused and a bit angered when the Premier uses the inadequacy of the final pay-out on the Crow as a plank for a campaign. Actually we never heard a peep out of Roy while there was a chance the Saskatchewan share of the Crow would possibly be paid directly to the province and thereby help reduce a deficit that Roy's been wringing his hands about forever.

We laugh when Cunningham conducts community consultations only to come up with an anaemic thing called 2000-something-or-another, an ag strategy or whatever. His office may still have a copy of that; ours went out with the junk mail.

What was it now — something about red meat? My neighbours know all too well what I mean when I say, look out for the price of beef because I'm going to go into cows. We're not hopeful that any party in Saskatchewan will have an ag strategy for the next election either. Roy didn't have one for the last one, and you can't argue with success, right?

So the salve we see spread all over this nonsense is a placebo that some actually believe is helping them. It's called change, and the need for and the merit of change, without reason. Just change.

Part of the problem may be biological. It's like what they say about little guys that drive big cars, and if any of you need any explanation about that I'll do it in private.

As I was saying, some of our generation of men who are growing old feel a little bit threatened and they stand up and they tell how wonderful it is that they're so with it and they support change so much. Doesn't matter what that change means. It doesn't matter how it flies in the face of things we've been doing successfully, like the Crow and like the Canadian Wheat Board and like the Saskatchewan Wheat Pool and like owning our own resources and developing our own resources and like universality — doesn't matter about that, let's change it because look at me, I'm really fit, I really have it made, I am all for change, therefore I am vital. I think you get the picture.

But there is a danger of carrying an analogy too far. So it may be that policies detrimental to our particular segment of society — that is farmers and farming — may have their genesis in philosophy rather than biology.

We have made some very serious mistakes. Usually every one to five years, depending on circumstance or jurisdiction, we are asked to cast a ballot. We have been misled. Those who may or may not understand the principles of democracy have chosen consciously or unconsciously to use the high ideal of one vote for every person to hoodwink and control us. Lip service is constantly paid to the idea of us having the freedom to make choices. The exercise of choice assumes that the opportunity exists.

But in actual fact the systems we have made

for ourselves assure that those choices shall be tied to political parties, or to speed this up a little bit, to people who have a core of power. And so the players — that is the parties in power — change but the people get the same dictatorship between elections.

And in the movements of the people, the credit unions, the wheat pools, the cooperatives, the dynamics are different but the results are the same. Carefully instituted by-laws maintain the managers who recommend recommendations which become more rules, which become more complex, which become more entrenched, and which not incidentally become more destructive to the original plan of the organizations, founders, and the expectations of the rank-and-file members. This has happened to us here.

And again the people say, there is no difference. Our cooperatives are just more big business out to take advantage of us. And the movers and shakers continue to ring their hands and talk about fiscal responsibility and they continue to preach change.

So to bring all this back to why we are here, we the people face a tragedy, the destruction of the Saskatchewan Wheat Pool. We have this Wheat Pool management of the '90s with a bunker mentality and all the rules in place to destroy from the top the foundation of cooperation. A scheme to privatize the Saskatchewan Wheat Pool, a scheme so contrary to the ideals of cooperation as to make a mockery of those who have gone before us. Those who believe there was benefit for individuals — I'd like you to listen to this because I think it's a definition — benefit of those who believe there is a benefit for individuals, if all benefited according to their participation.

Well it doesn't have to be like that, and I'd appeal to this committee if you had been listening, if you are listening, that you can stop this nonsense at least for the interim. You can ask, you can recommend to the legislature, that there be a vote of every member of the Saskatchewan Wheat Pool.

And of course we'll hear it said, no you can't do that because there's a lot of members of the Saskatchewan Wheat Pool who are not really for the Wheat Pool. But let me remind you that every time the Wheat Pool wanted to call itself

the largest cooperative in Canada, they used every one of those members as a base.

So here we are. Let's have the people have a vote. What's the matter with it? Thank you.

**The Chairperson:** — Any questions that any members of the committee have for Mr. Wallace?

**Mr. D'Autremont:** — Thank you, Madam Chairman. I'd like to welcome you to the committee today. You've made some very pointed jabs both at the government and at the Wheat Pool, and if I can paraphrase a little bit what you've said you seem to believe that there has been a lack of effort on behalf of the government. I'm just wondering who do you think benefits from this?

**Mr. Wallace:** — Benefits from the lack of effort? No one.

**Mr. D'Autremont:** — So it's one individual then within the Wheat Pool that would benefit from this?

**Mr. Wallace:** — Pardon?

**Mr. D'Autremont:** — Okay, who benefits . . . you're accusing the government of lack of action on this. Who do you think benefits from this lack of action?

**Mr. Wallace:** — Well the process is under way. The process will continue unless somebody here stops it. Now I think that's up to you as one individual among many to do that.

Now who benefits? I am very . . . I wonder who's going to benefit? I don't see any hope for the Saskatchewan Wheat Pool under this new regime, if this is what we're getting at, otherwise I would be supporting it.

I saw an organization that was vital and which had the loyalty of a whole bunch of members and was operating very well, thank you very much. Now somebody wants to destroy all that. Am I getting away from your question?

**Mr. D'Autremont:** — Well I think you're avoiding it. If somebody loses something, somebody gains something. Now who gains in this?

**Mr. Wallace:** — Will you define for me what somebody might be losing and what somebody else might be gaining and then maybe I'll understand your question.

**Mr. D'Autremont:** — Well you seem to believe that the Wheat Pool is being destroyed, so that would be a loss in your terms.

**Mr. Wallace:** — Exactly.

**Mr. D'Autremont:** — So who benefits then by that?

**Mr. Wallace:** — I don't know. If you can shed some light on that for me I'd appreciate it. I don't think anybody will benefit from such nonsense.

**Mr. D'Autremont:** — So are then you contending that the organizations that are involved — you have been very pointed at the government, very pointed . . .

**Mr. Wallace:** — I say they're all wrong if that's the short answer you're looking for.

**Mr. D'Autremont:** — That they're doing it simply to be malicious, to destroy the Wheat Pool?

**Mr. Wallace:** — I think they're doing it out of ignorance. I think they don't realize, sitting here as president and whoever else, I don't think they realize what they've done to themselves and to the organization. I truly believe that. I don't think they've been out in the country enough to know how people are not backing them, how they've lost that loyalty that we've been talking about.

I've read some briefs that also hit on this. What's the matter? You don't understand that?

**Mr. D'Autremont:** — Well I wouldn't say that I don't understand it. I'm trying to find out what you're saying. You're making the presentation to the committee.

**Mr. Wallace:** — Right.

**Mr. D'Autremont:** — So it's up to us to find out what you mean by your presentation.

**Mr. Wallace:** — Well I don't think I can make it any clearer than what I am. Anything that strays away from the cooperative that we had

is a destruction of the Saskatchewan Wheat Pool. You can bandy about this any way you want, but that's exactly what it is and that's the reality that people are going to have to face. And some of us have already faced it.

Now Mr. Beke can put all kinds of legalese to this but the basic fact still remains: it is a destruction of the Saskatchewan Wheat Pool as a cooperative. You can call it anything you want in the future — I won't be there and I don't care — but it will not be a cooperative.

**Mr. Roy:** — Thank you very much, Madam Chairperson, and good evening, Mr. Wallace. I listened very carefully to your presentation and I noted that you went at great length to discredit government policy, of every political stripe, I guess. That's your opinion — I don't think that's shared by people in Saskatchewan and outside of Saskatchewan, but that's your opinion.

However, I listened as well to your presentation because I wanted to get some kind of hint as to an option that you would be proposing to the concerns the Saskatchewan Wheat Pool is raising. One is that they are in a financial crunch. And that would be my question, Mr. Wallace. It's fine to criticize. At some point in time you have to come up with some kind of concrete proposals that you can offer as an alternative and I'd like to ask you if you have one.

**Mr. Wallace:** — Well I think it's already been provided by the Saskatchewan Wheat Pool. In the information that Mr. Wells gave us in April or May 1994, there was a number of scenarios presented — I think five in all — and the last one had, when all else fails, the Saskatchewan Wheat Pool, if it is in a financial crunch — it's right within the laws of cooperatives — they don't have to pay out the dividends. They can take those and use them as they see fit.

No argument there. If they have to use that money, that's fine.

**Mr. Roy:** — And you believe that to be a solution?

**Mr. Wallace:** — Because I have some equity, considerable equity in the Wheat Pool, I would like to see my equity paid out when I retire, which is not too far away. But if it is for the sake of the Saskatchewan Wheat Pool to



remain a cooperative and to remain viable in the market-place as we know it today, as a cooperative, then I guess that's what they would have to do.

Let me remind you that they were using funds from the Saskatchewan Wheat Pool for years to get into all this magnificent diversification they talk about and we didn't complain too much about that. That's the way they have to do it, that's fine.

But I think it was interest-free money, and if you give me a few million and don't charge me any interest and let me go wild and do anything I want, I can look like a smart guy too, and dress the part.

**Mr. Britton:** — Yes. I think you pretty well answered what I was wondering about. I got the impression that you wanted the Wheat Pool to stay as is, and that you're saying that you don't believe this new restructured company, if you will, would be viable and that you don't believe that the Sask. Wheat Pool as it is needs the extra capital that the leadership are telling us that they need to make the Pool viable. Is that your problem, or are you just saying that you want it to still remain a co-op?

**Mr. Wallace:** — I want it to remain a co-op. I don't know about the viability of this new dream Saskatchewan Wheat Pool that sells shares on the Toronto Stock Exchange. I don't know who's going to buy those shares. I don't know how many of the Wheat Pool employees are going to subscribe to this share offering. I don't know what viability will mean on the Toronto Stock Exchange.

I do know what viability means as far as the cooperative is concerned because we had years and years of experience in that viability. It did pay out the dividends to the retiring and a little bit . . . and built up our equity, and that seemed viable to me.

And we did do business and support the Saskatchewan Wheat Pool with the mainstay, which was grain gathering on the Prairies. Well of course we got into Robin's Donuts and all that because we had to have salvation, but I'm not sure that that was our salvation. I think grain gathering really was where we were at and that's where it is still at.

I suppose I'm not answering your question

either.

**Mr. Britton:** — Well, I think you did, sir, in your presentation and the answers. I just wanted to get the feeling. I think what I'm hearing you say is that you don't believe in change for the sake of change and if it's not broke, why fix it, sort of thing.

**Mr. Wallace:** — Well I think you've been around long enough to know that's a good rule.

**Mr. Britton:** — Well I guess what I'm trying to get through . . . They call me Grandpa, that's why these guys . . . (inaudible) . . . I guess what I'm trying to get comfortable is how you feel.

And we have been — you know, you're not the first presenter — and we have been presented with the position that the Saskatchewan Wheat Pool, as it is, has to do something to create capital and it can't go on in the manner that it has been in the past as you've known it. And I guess what I'm asking you: do you not believe that?

**Mr. Wallace:** — Well, I guess I don't know, because the Saskatchewan Wheat Pool in our area wants to build, join in or build an elevator close to one that is going to be built by Cargill and somebody else, I don't know who it is, down at Gull Lake. That's going to mean a 60-mile haul for me if I'm going to participate in the Wheat Pool's business.

Now I don't know what the real cost is. I don't know who's going to be worse off if the Saskatchewan Wheat Pool gets the money to build that thing because my real cost is going to start growing at home. What are we going to start doing? Charging tolls for people hauling across the municipality to rebuild our roads. We've got a whole bunch of costs there that we haven't even considered, and as municipal taxpayers that's exactly where we have to start thinking. We can't just say, oh the poor Saskatchewan Wheat Pool, it hasn't got enough capital to do all these wonderful things it would like to do. Well maybe they shouldn't be doing them. I don't know that.

But to spread the myth among people like yourselves that, oh, we've got to have this capital to go ahead, to become viable, to blah, blah, blah, and we don't know what the numbers mean is just nonsense. And you need

to be careful when you're making decisions on this, because I'm not sure they can produce the numbers either. Because you've got to take into consideration what you're doing to yourself and to me when we start hauling the distances that they're advocating. And that's just one little aspect of it.

And diversification, let me just ask you what they mean by . . . what's Ralph Goodale mean by diversification? What's the provincial government mean by diversification? What does anybody mean by diversification? We all go into red meat. Crazy!

And I'm sorry if you feel that I've picked on the NDP or anybody else unfairly. I said that I was going to try and convey what people felt out there, and the people don't care much about political parties or politicians or anybody else that's making decisions for them every day. So you're not on a pedestal by any stretch of the imagination. You are servants and we're saying, not only to you as servants but also to the people that were elected in the Wheat Pool, start acting like servants instead of our masters. Enough said.

**The Chairperson:** — Okay, there aren't any more questions? Okay, I'm really glad that you had that talk with your son at supper time so that you had an attitude modification you know that made you so mellow. You never did quite go over the edge, but for the benefit of other future witnesses tonight, I will say this, that the committee is not allowed to use, as being a Standing Committee of the Legislature, any unparliamentary language and the witnesses are not permitted to use any language that we're not permitted to use.

**Mr. Wallace:** — That was close then wasn't it?

**The Chairperson:** — It was very close, yes. But I could tell you were on a roll and I thought as long as it doesn't get worse we'd just . . .

**Mr. Wallace:** — I appreciate that.

**The Chairperson:** — Okay. Thank you. Thanks, Mr. Wallace.

Are Blair Cummins and Leslie Johnson here?

**Mr. Johnson:** — Good evening, Madam Chairman, and committee members.

Certain changes in government regulations regarding rail transportation and a method of payment have made it necessary for Saskatchewan Wheat Pool to undergo some major changes. The change in method of payment is going to seriously affect the way grain moves on the Prairies. This change is going to make it easier for railways to offer variable freight rates. The lower rates at elevators with large loading capacities are going to encourage rapid consolidation of the elevator system as farmers haul more grain to larger points to take advantage of these lower incentive rates. This will strain Sask Wheat Pool's capital spending resources as they hurry to construct larger facilities to compete for these freight rate discounts.

Some rail lines that service Sask Wheat Pool elevators are soon going to be abandoned, and Sask Wheat Pool will be forced to consolidate even more small local elevators into new, larger, expensive facilities. The large amounts of capital needed to build these facilities must come from somewhere. For Sask Wheat Pool to borrow capital or to use its own present limited capital resources might put undue strain on a presently healthy, viable grain handling cooperative.

I believe its decision to raise capital for these vital new facilities by having a public share offering is a necessary and the best option available to the membership.

The membership will be advantaged in another way. Changing Saskatchewan Wheat Pool's equity to shares will result in greater availability of the members' equity, assisting them more directly. They can use it for collateral as it is liquid; turn it into an RRSP (registered retirement savings plan); or realize a return on investment as the shares appreciate. Members can also purchase more of an interest in their own company.

Converting to shares will allow Sask Wheat Pool to prosper and ensure that our generation and the next one will have a healthy, viable company that remains totally controlled by farmers and working for farmers.

A small minority of members are in opposition to this move. They think the direction we are moving is taking us away from cooperative principles. Let's go back to the original Rochdale Co-op. The principles that were set

out for Rochdale do not apply totally, or were meant to apply, to today's Sask Wheat Pool. Sask Wheat Pool can still be operated in a cooperative spirit, yet compete in today's, and the market-place of the future.

They also think the decision was made in a non-democratic way. I feel that all the important criteria for being a cooperative will still be met. One member, one vote; any bona fide farmer can join; a say in the direction of the cooperative; service to members. These and more I feel confident in saying are not going to be affected by going public.

As for the lack of a democratic decision-making process in regards to the share offering, just let me say I had a vote at a members' meeting in our district, as well as a vote at our local committee meeting when our director and delegate were looking for direction from the membership on this issue.

Also, the delegates we elected voted overwhelmingly in favour of this proposal. I feel these criticisms are unfounded. I have 100 per cent confidence in the delegates and directors we have elected, and in the employees that we have managing our company. I believe that they have done a fine job and will continue to do so.

Farming is changing. I've been on the farm all my life, and in that time we have had to deal with changing regulations and market conditions. We cannot survive by growing traditional crops. We have had to learn to grow and market these new crops, how to use new technology.

We have had to adapt to changes in transportation and find out what crops and technology can best be suited to our individual farms. We have gone from hauling grain in three-ton trucks six miles to facilities that handle 200,000 bushels, to B-trains hauling 30 miles or more to facilities that handle 3 million bushels. There have been many changes in farming and we have not been in agreement with all of them. Some of them have not been made with the best interest of the farmer in mind.

Our grandfathers formed Saskatchewan Wheat Pool 70 years ago and we think back on the foresight, struggle, and commitment it took to start this cooperative. I cannot help but

think they would have a hard time understanding what all the fuss is about. They did the hard job. We sit around dragging our feet trying to figure out if it's time to move the Saskatchewan Wheat Pool into the 21st century. They did what they had to do in '24 and it's time we did what needs to be done in 1995.

We have had to change and adapt in order to survive and we did. Saskatchewan Wheat Pool has had to change and adapt in order to remain viable in the grain handling industry, which it has and will continue to do so.

**The Chairperson:** — I should have clarified. Are you Mr. Johnson?

**Mr. Johnson:** — Yes, I am.

**The Chairperson:** — And Mr. Cummins . . . Does anybody have any questions for this gentleman? Well it certainly is a very straightforward brief, so I guess everybody can understand it; so there aren't any questions. So thank you, very much.

**Mr. Johnson:** — Thank you.

**The Chairperson:** — Is Mr. Walter Nisbet here? Copies of your submission are being distributed now, Mr. Nisbet. So welcome and the floor is yours.

**Mr. Nisbet:** — Okay, thank you. Thank you for the opportunity to make representation to you on this issue.

I'm here tonight to present my personal views. I have to speak out. We do not have a Sask Wheat Pool committee at our shipping point. The members resigned in protest and attempts to set up a new committee have not been successful. We do not have a delegate for our subdistrict. He also resigned in protest.

**A Member:** — Pull your mike a little closer, please.

**A Member:** — It's not a mike.

**The Chairperson:** — I'll just explain. There is no amplification. It's just that the microphone goes into the *Hansard* recording.

**Mr. Nisbet:** — Oh, so you need it for that, not for the crew.

**The Chairperson:** — Yes.

**Mr. Nisbet:** — Am I not speaking loud enough?

**A Member:** — No.

**The Chairperson:** — I guess I'm so young I can hear better. Yes, you certainly have to keep in mind that you're speaking to the room and not through a microphone.

**Mr. Nisbet:** — I thought I was speaking through a mike, that's why I wasn't talking louder.

**The Chairperson:** — Yes, sorry.

**Mr. Nisbet:** — Okay.

I'm here tonight to present my personal views. I have to speak out. We do not have a Sask Wheat Pool committee at our shipping point. The members resigned in protest and attempts to set up a new committee have not been successful. We do not have a delegate for our subdistrict. He also resigned in protest. As you can understand, emotions are very strong with some people in our community. Some people are a little more long-winded than others too.

It is not my intention to go into all the reasons for my opposition to the amendment but rather to provide a few reasons that I consider to be important. Our farm is a cooperative farm incorporated in 1965. We have supported the retail co-op, credit union, and the Pool over many years. We support the six cooperative principles as established by the International Co-operative Alliance years ago which are the guiding laws of the operating cooperatives throughout the whole world.

And you should know the six principles by the time these committee meetings are over, I guess, but I intend to go over them again.

Number one, voluntary membership.

Number two, democratic participation — one member, one vote, no proxy voting. In this proposition, class B shareholders who may be non-members of the Pool vote, including by proxy, when they believe their rights will be affected. Class A shareholders will not have this right. Class B shareholders could have more direct control than the class A members

who would only be able to vote for a delegate.

Number three, limited interest on share capital. Cooperatives are intended to provide a service and are not just an investment vehicle to make money for the shareholders, as would be the situation with the class B shareholders. In the new Pool Act, this one would be eliminated.

Number four, surplus earnings returned to members as patronage payments. This principle stands out for many people as the big difference that makes a co-op. Again, in the new Pool Act, this one would be eliminated.

Number five is co-op education. Number six is cooperation among cooperatives. Many co-ops fall short on these two principles.

With this many changes to the co-op principles, how can the Pool ever claim to be organized and governed by and adhere to co-op principles as is in clause 3(c) of the proposed Act, 1995? If it was really a co-op, then there would be no need for this clause.

Members of the private Bills committee and indeed all members of the legislature are being asked to be a party to the changing of the co-op principles by implication through these changes. The Pool, if determined to proceed with this change, should seek incorporation under the corporations Act and leave The Cooperatives Act for cooperatives.

Under the corporations Act, the shareholders would have the protection of the Securities Commission. If the Saskatchewan Wheat Pool Act, 1995, as presented, is proclaimed as law in Saskatchewan, there are very serious implications for all co-ops in every part of our lives. The precedent would have been set for changes to laws of operations of all co-ops.

What should be the response of co-ops? Should co-ops evolve in such a manner? What other implications are there that we haven't even thought about? Do we have to follow the Pool and also lose our principles? I think not. This Bill should be rejected. In my opinion . . . is that the members of the legislature should vote no to this Bill. Thank you.

**The Chairperson:** — Does any committee member have questions for Mr. Nisbet?

**Mr. Kowalsky:** — Thank you very much. Mr.

Nisbet, you say you operate a cooperative farm. Do you operate it by yourself?

**Mr. Nisbet:** — No, it's a family co-op, brother and family, my own family.

**Mr. Kowalsky:** — Would it be possible for you to explain to me what would happen to that co-op, that farm, if you decided to dissolve the co-op, your family farm co-op?

**Mr. Nisbet:** — If we decided to dissolve it?

**Mr. Kowalsky:** — Right.

**Mr. Nisbet:** — Sell off the assets I presume before dissolving and then there is no problem.

**Mr. Kowalsky:** — Sell off the assets before dissolving and then what would you do with the assets?

**Mr. Nisbet:** — Well you distribute them based on the equity that each member of a cooperative has.

**Mr. Kowalsky:** — And how would you determine that equity?

**Mr. Nisbet:** — It's bookkeeping entries.

**Mr. Kowalsky:** — According to what you put in to begin with, or based on participation over the years?

**Mr. Nisbet:** — Well there would have to be evaluation done on the assets and then when they were sold, if you were dissolving, when they were sold the asset value would have a dollar value which would be distributed on a share basis at that point.

**Mr. Kowalsky:** — On a share basis?

**Mr. Nisbet:** — Yes. We are a shareholder group.

**Mr. Kowalsky:** — Okay, so somebody might have more shares than the next person, is what you're saying?

**Mr. Nisbet:** — Yes.

**Mr. Kowalsky:** — I see. So it's not a co-op that's structured except for decision-making purposes. It's not structured the same way as a cooperative, say a retail co-op or the Pool.

**Mr. Nisbet:** — Well we're incorporated under The Co-operatives Act and governed accordingly and shares are allowed in cooperatives. There's two different ways of doing it; one can be a membership share and another one can be a dollar share.

**Mr. Kowalsky:** — A lot of decisions in your cooperative are made just on the membership share basis?

**Mr. Nisbet:** — We work on a consensus basis, so if one person wants to introduce a new idea, the onus is on them to convince the others to go ahead and do it, and if they can't do that well we don't do it.

**Mr. Kowalsky:** — Is there any parallel between the way your co-op farm operates as a cooperative and the way the Pool is structured as a cooperative, that there's a lesson here to understand how a Pool's assets could be divided or changed?

**Mr. Nisbet:** — I thought that's what you were leading up to. I smelled it coming. I'm not just too sure there is. It's such a different sort of thing. I really . . .

**Mr. Kowalsky:** — I was looking to see if there is, and if there is well fine.

**Mr. Nisbet:** — Right now I really can't draw a special parallel. My concern is of the implications for all small co-ops in the fact that possible changing of the cooperative principles, and in that there is a parallel.

**Mr. Kowalsky:** — Thank you very much.

**The Chairperson:** — Mr. Roy, do you have a question?

**Mr. Roy:** — Thank you very much, Madam Chairperson, and welcome tonight, Mr. Nisbet. By your presentation here, the greatest concern you have obviously is the philosophical one. I believe it's an affront to the principles of the co-op as a movement.

**Mr. Nisbet:** — Yes.

**Mr. Roy:** — Above and beyond the philosophical concerns you have, is there some on the technical details of this particular proposal that concern you?

**Mr. Nisbet:** — Well I allude to it a little bit but I'm not totally conversant with it so I didn't elaborate, and that is the Securities Commission. It's my understanding that the Securities Commission is being bypassed in this process and in some cases, some ways, the Securities Commission will not have control over the new Pool Act as it would if it was incorporated in under the corporations Act. That's why I made that recommendation.

**Mr. Roy:** — So you obviously believe that this is precedent setting?

**Mr. Nisbet:** — Yes.

**Mr. Roy:** — As far as the Pool initiative here and it will pave the way for fundamental restructuring of other cooperatives. Is that your belief?

**Mr. Nisbet:** — Yes, Pool has been a major leader in CCA, as an example, and you know there is the possibility that it would have international repercussions to Co-operative Alliance as well.

**Mr. Roy:** — Thank you very much.

**Mr. D'Autremont:** — Thank you very much. Thank you for coming in, Mr. Nisbet.

You would, I believe, contend that if this change goes through that the Pool is therefore not a cooperative. Mr. Wallace has suggested that. Mr. Wells has suggested that. If this does pass through, the changes are made, should the Wheat Pool then be no longer incorporated under The Co-operatives Act but rather dealt with under the corporations act?

**Mr. Nisbet:** — Well it isn't under The Co-operatives Act right now; it's a special Act of course. Yes, that's my contention that it should be under the corporations Act. And I believe the Pool themselves acknowledge that because nowhere in the document that you have before you from them is the word cooperative mentioned except that they want to be considered to be a cooperative.

**Mr. D'Autremont:** — Okay, thank you.

**Mr. Carlson:** — Thank you, Madam Chair. Mr. Nisbet, on the bottom part of the first page there you talked about your farm being a cooperative. You're in partnership with your

brother you said, and you supported retail co-op, credit union, Pool, for many years. If this share offering would go through, has your family sort of made a decision or talked about your future participation as a cooperative with other cooperatives, i.e., the Pool?

**Mr. Nisbet:** — Well as long as we still have the local point, some of our land is about 20 miles away from that point which is the closest point and the only . . . there's no marketing choice for another elevator. And I wouldn't see that as a particular option anyway. You know the Pool is not perfect by any means, but it beats whatever is second best.

**Mr. Knezacek:** — Thank you, Madam Chair, and thank you, Mr. Nisbet, for making your presentation.

A point of clarification before I ask a question. Is it correct, Madam Chair, that we may ask someone in the room for an interpretation?

**The Chairperson:** — A previous witness. Yes.

**Mr. Knezacek:** — Okay, I'd like to draw your attention on the second page to point no. 2 where it talks about democratic participation, and what you've mentioned there in terms of the class A and the class B shareholders and your voting rights and so on. And I'm sort of confused on this aspect, and I think we've heard other briefs sort of alluding to what you're saying here, and I believe we've also heard from our first presentation this morning. And I get two distinct or two different ideas of how these class A and class B shares work and what the voting rights are.

And so I would like to have your interpretation again, besides what is written here, in terms of what class A is, what class B is and their voting rights, when and where.

And then if I could have from one of the earlier witnesses, either Mr. Larsen or Mr. Beke, the interpretation that he gave this morning.

**Mr. Nisbet:** — Well for the class B shareholders, is that what you're talking about then?

**Mr. Knezacek:** — A and B, yes. Item no. 2 that you mentioned in your brief.

**Mr. Nisbet:** — Well I'll preface it by saying it is

my understanding that the class A are the farmers who are the present owners of the Pool. Class B are the shareholders, who may or may not be farmers, who will be having the investment share in the Pool and they have voting rights as is outlined in the presentation by . . . where is it, I can quote it — voting rights when they have something that is considered to affect their financial value of their shares.

So you could potentially say that all things would be eventually relating to the value of their shares. As such, they could demand a meeting of class B shareholders and that would be their chance to vote then.

Class A shareholders do not have that chance to vote as an individual except as to vote for a delegate and to submit resolutions that are recommendations to the board under the present Act, and I'm not sure how that would affect on the new one.

**Mr. Knezacek:** — I would imagine that there will be a type or class A; the farmers will also be class B shareholders as well.

**Mr. Nisbet:** — Some, yes; well I said may or may not.

**Mr. Knezacek:** — They would then have a vote. Okay, fair enough. Could we have a interpretation from this morning?

**Mr. D'Autremont:** — Perhaps that should be done after Mr. Nisbet is finished.

**The Chairperson:** — Well no, it's in response to a question from a member.

**Mr. D'Autremont:** — Then perhaps, you know, I don't think we should be jumping between the witnesses. If Mr. Nisbet is finished, we're finished questioning him, then we should get the response from the other witness.

**The Chairperson:** — Well actually I think we were, unless there's a follow-up to this one, that's the thing.

**Mr. D'Autremont:** — Then Mr. Nisbet can be recalled at that time — the same as we're recalling one of the other witnesses.

**The Chairperson:** — I don't think it's really important, but we don't need to get hung up on it. But are there any further questions for Mr.

Nisbet by any other members of the committee besides the one that's been on the floor right now? No.

If we could ask you to take the microphone, Mr. Beke, just one of the ones at the end there.

**Mr. Beke:** — There seems to be a confusion in the structure of The Saskatchewan Wheat Pool Act in that the delegate is almost viewed as alien to the shareholders. The shareholders elect the delegate body and the Act provides that in all respects the delegates are the shareholders. It's a representative form that exist in all sorts of co-op Acts.

If the shareholders don't want that structure, they simply elect delegates that do away with it. I mean it's within the power of the shareholders. To suggest that shareholders don't have the power, and now the class B shareholders, because they have three remote possibilities of having a say or an approval, mainly when there's an amalgamation, where control changes, or when there's a sale of substantially all the assets, or if the characteristics of the shares are changed so you alter the rights of the class B shareholders . . . And when that approval only comes into place when the delegates do something in that area — they never have a say until that happens — I don't see how you can elevate the class B shareholder rights to say they are ahead of the shareholders who elect the delegates who run the whole operation.

**Mr. Nisbet:** — Could I respond to that. I don't believe that I said that they could.

**The Chairperson:** — I'm not sure about the . . . what was in the exchange. It doesn't say that in your brief, but I don't know for sure whether it was said in the exchange.

**Mr. Knezacek:** — Well I just wanted to have it clarified so that I understood it — right was right and left was left.

**The Chairperson:** — Yes. Any other questions for Mr. Nisbet? Thank you very much, Mr. Nisbet.

I need to interject into the proceedings at this point with respect to the brief that Mr. Johnson read, and apparently he's been made aware of this by the Clerk. And I was following it word for word, and I'm sure we all were, but right at

the bottom in the last sentence it says, "These and more I feel confident in saying, are not going to be affected by going public." And apparently, while turning the page and so on, he left out the word "not." So with his agreement, will the committee agree that into the record the correction can be made on *Hansard*, and the word "not" be inserted, because it obviously changes the meaning.

And we have two people here who . . . We've now concluded the list of scheduled witnesses, but we have two people that came in this morning and have returned in the same order tonight — they being Mr. Norman Bray and Mr. Norbert Kirsch. And by some coincidence they came in in the same order tonight that they came in this morning. So if Mr. Bray would like to come forward, we can hear you now, Norm.

**Mr. Bray:** — Madam Chairman, and members of the committee, I wish to thank you for giving me this opportunity. I've only got one copy of my presentation, but copies, I understand, will be made available.

I must say immediately that Co-operative Friends of the Pool are basically asking only one thing. Let the farmer members of Saskatchewan Pool have a vote. I and the Co-operating Friends of the Pool will accept whatever the members decide. But when it comes to destroying Saskatchewan Wheat Pool, we will never accept what has come down to Pool delegates from the board of directors and from management.

I'm a farmer at McLean, Saskatchewan. I do business with the local Pool elevators and with Pool's Regina farm service centre. I became affiliated with the Co-operating Friends of the Pool because I wished to protest the upcoming demise of Saskatchewan Wheat Pool. I'm still in shock that our pioneer grain handling cooperative is to be yanked from members and turned into a joint stock, agribusiness corporation; but my overriding emotion is sorrow.

I feel betrayed by this silly, unnecessary, destructive plan. Apparently Sask Pool is to be made more competitive, more diversified, more modern. To what objective? It will become a more or less successful agribusiness firm but it will do it without me and without many other members of the Pool. It will be our company no longer. It will be another investor-owned

company, active in Canadian and worldwide agriculture, trying to make a profit. And other than nostalgia, there'll be no reason for me to do business with Pool rather than with Paterson, or Cargill, or P&H (Parrish & Heimbecker Ltd.), my other available choices.

Sticking with the old Saskatchewan Wheat Pool, my co-op, and sticking with the new Sask Pool, which betrayed me, is an entirely different thing. I feel like a mushroom, like a dumb little pawn, and I don't want to feel that way.

The need for new capital in the Saskatchewan Wheat Pool may be very real. Pool well may need new elevators and diversification, and food processing ventures; but there has to be ways to get that capital, to get where we want to go, without selling the company. If we sell the company then it does not matter if Pool gets there or not.

Am I representative of the membership of Saskatchewan Wheat Pool? I do not think so. I care enough to be angry and bitter about it. I went to producer meetings to protest what I understood was going on. Most of my neighbours did not.

The reason seems to be, that the former member said: I have read that the board of directors has already decided to do this; what's the point, therefore, in me going to a meeting? I believe they were right because at meetings I attended, opposition was fierce; but we were told the purpose of the meeting was not to obtain an indication of the farmers' reaction but to explain what was to come down.

Mr. Murch, earlier today said that Pool members must take responsibility to get the information required and to instruct their delegates. I totally agree and I'm disappointed in Saskatchewan Wheat Pool members. But I fear that Saskatchewan Wheat Pool's vaunted democratic structure is so rusty that it's non-functional.

One of the major hopes I have for a vote of all members on this issue is that it might revitalize Saskatchewan Pool and help to produce members that feel there is a point in really getting involved. This decision of the delegates should be discounted because it comes entirely from top down and not from bottom up.



In practice, boards of directors are always given a lot of authority. But to have the board decide to wind up the co-op without a members' vote is ridiculous.

I fear that the Government of Saskatchewan, which should be highly concerned about this development, and concerned for the health of cooperatives, will simply be interested in what growth in rural development Saskatchewan Wheat Pool diversification and further processing will bring. And for that reason the government will be indifferent to the fact that a producer-owned co-op has been changed into a dreaded multinational agribusiness corporation.

I'm insulted that those of us who have been loyal members of Saskatchewan Wheat Pool and brought the organization to where it is today are not to have a vote on a fundamental change in organization, but new B shareholders are guaranteed such rights by standard legislation to protect shareholders. Securities commissions may defend the new B shareholders, but who defends us?

Much is made about the matter that A shareholders are to have control of Saskatchewan Wheat Pool. As a practical matter I cannot envision that happening. B shareholders, who after all own this outfit, will demand a return, and that return must be provided no matter what the effect that has upon the return to the farmer customer.

As far as farm policy matters are concerned, the wishes of the farmer and the widely spread shareholders may be totally opposed and presumably the wishes of the shareholder must be dominant.

I might suggest that as soon as the interests of the B and the A shareholders are in conflict, the B shareholders will challenge the A directors and take over. I can't imagine that B shareholders wouldn't get together and say, look, we own this thing and there's 16 farmers in Saskatchewan telling us what we're going to do. They will simply say, we've got to have a vote on the directors and have some control over this organization. Sooner or later I can only see that it comes.

All this might be irrelevant if the farmer customers and the shareholders were to be one and the same. But there's every indication

that a majority of farmer members will wish to immediately cash in their shares. Pool employees and shareholders in general will pick up the ownership.

After this issuing of shares, there must be further and further issues of course. If there aren't further issues of shares, the Pool financing will be no further ahead. The expansion and vision presumably will require several share issues and those can be funded only on the basis of the real value of Sask Pool as an ongoing entity, the value that's not being fully reflected in the value of members' equity.

We're told the Pool will face a capital drought because of paying out equity to retiring members. Well there are alternatives. The Vancouver terminal was built by holding back payment of members' equity. There is a board of directors' decision each year about how much equity will be paid out. Flexibility is always available.

Some members might wish to take their equity and immediately invest it in the Pool's own loan account. Now we're told that a public share issue is the only option that will work. We've had no participation in these other options. But we might say that the public share issue is the only option that's guaranteed to cost us ownership of the Pool.

I fear a scenario such as this: as in the privatization of so many Crown corporations, the shares will be valued on the low side to attract investors. If the share value reflects only members' equity, shares are already valued on the low side.

A share in Saskatchewan Pool, likely to be placed at about a dollar, might be worth about that much based on earnings if you expect a 10 per cent return on investment. If you expect a 5 per cent return plus the eventual capital gain, the share might be calculated to be worth \$2.

If you drop patronage dividends, which have already been done, drop cooperative extension work, drop policy lobbying and consolidate operations much further, earnings might soar. And a share might be worth much more.

But farmer members have been told their share's worth about a dollar, and most will be

glad to get that. And they will be greatly exploited.

Several cases have been mentioned of deceit with regard to this Pool proposal. At farmer meetings we were told by Pool staff that if farmers did not buy the shares offered by other farmers during the in-house trading period, the proposal would be stopped.

Later, we were told that employees and others could be active in buying stock during the in-house trading period, or perhaps at any rate before the stock hit the Toronto Exchange. Perhaps that might mean that a major broker might underwrite the entire initial offering.

Saskatchewan Wheat Pool management and directors might plead that for competitive reasons they cannot tell us exactly what they have in mind. It seems they have a pretty definite program of expansion in mind. We're still the member-owners, we still have some right to know, and by all that's fair, we still have a right to vote.

**The Chairperson:** — Thank you, Mr. Bray. Any questions from any other committee members?

**Ms. Stanger:** — Something I haven't heard anybody ask and I'm sort of interested in, Mr. Bray. Could you give me an example how Sask Wheat Pool would not participate on farm policy matters because of the type B shareholders?

**Mr. Bray:** — Well they're going to own the company. Surely they can say to the manager, we don't like you making these statements. They're prejudicial to our interests. There's a conflict there. If somebody owns the company surely he has some say in what goes on.

**Ms. Stanger:** — Well I have shares in a company and I have never been allowed that privilege. You know what I'm trying to get down to this . . . you give me a scenario.

**Mr. Bray:** — Yes. Well most of us . . .

**Ms. Stanger:** — I suppose it depends on how many shares you owned and everything.

**Mr. Bray:** — Yes, yes. Most of us have a few shares. We get the mailing that says we can vote for the directors and we can vote for the

auditor. And maybe there's a special resolution or something like that. So we don't feel that we have very much influence.

So you can say, well the shareholders will be like you and me in Canadian Pacific. Sask Wheat Pool will go on its very merry way, and we'll get this piece of mail once a year and we'll do nothing with it. And nothing will happen. We'll look for a little dividend once in a while and that's all we'll know about it.

But some shareholders have a lot more influence than you and I because they have a lot more shares. And they're certain to be heard from in various ways.

**Ms. Stanger:** — You see I was thinking of a scenario in my own mind. Like for instance, would you propose, say, the shareholders through some influence would say, this is the policy we want you to have in transportation. Is that the kind of the thing you were envisioning?

**Mr. Bray:** — I think that could happen.

**Ms. Stanger:** — Where they would have undue influence? Is that what you're saying?

**Mr. Bray:** — They'll have a natural influence. It's not undue at all. It's the influence of an owner.

**Ms. Stanger:** — But there's 10 per cent, a ceiling of 10 per cent, Norman, so how does that fit in?

**Mr. Bray:** — If Sask Pool shares are very widely distributed among farmers and others, 10 per cent could probably be a ruling block. That could happen. Some major companies are controlled by very small blocks of shares.

I don't think we have to look any further than the individual who owns a few shares in Saskatchewan Wheat Pool, checks the newspaper daily, what's that share worth? And if it's going down, they'll decide to sell it. Enough people sell it, well that message is going to get into the corporate offices. And they'll have to make some action to keep up the value of those shares, I would think.

**Ms. Stanger:** — But I was talking more of policy. You think that would affect policy directly?

**Mr. Bray:** — Yes, I wonder, when you have a widely diversified shareholding all around the world, are these shareholders going to be interested in Saskatchewan Wheat Pool directors going to legislatures and delivering agricultural policy proposals? Probably not very much. And they might ask, why are you doing that? What are you hoping to accomplish by doing that? What's it going to do for my shareholder return?

Or you want to keep an elevator in point X. Does that help me as a shareholder? I don't think so. Why are you doing it? I can't help but see those kind of influences.

**Ms. Stanger:** — I guess the bottom line is any shareholder, if they're getting something out of their share, doesn't care what the company does. But you're saying in case . . . You know what I'm saying?

**Mr. Bray:** — I'm saying that maybe you and I don't care, but somewhere out there, there are blocks of people that are quite interested in what the return is and they're looking daily at their options — where else can they go with that money.

**Ms. Stanger:** — Okay.

**Mr. Langford:** — Yes, I want to ask you the same question I asked the Saskatchewan Wheat Pool this morning. And I don't know if you could answer it or not, but if you can, it would be all right, and if not, that's fine too, Mr. Bray.

In regards to assets, and you refer to the old Wheat Pool and a new Wheat Pool now, the assets of a retired farmer under the old Wheat Pool, as you retired, what would you receive as far as assets; and today as the way the new Wheat Pool is going, would you receive anything for assets, for the value or assets in the Wheat Pool?

**Mr. Bray:** — No, I think they can be different. Under the old arrangement, you've got a dollar of accumulated dividends called equity, then you can pull out a dollar. Under the new system, you have a share, presumably worth a dollar, in Saskatchewan Wheat Pool.

But investors all over the world are looking at the profits of Saskatchewan Wheat Pool, its potential to make more money in the future or

less. They're looking at everything that influences the grain business and all their various businesses, and they make their own decision, calculation, as to what a share in Saskatchewan Wheat Pool is worth. And they phone up their broker, and they say, buy Sask Wheat Pool at a dollar and a quarter or sell my Sask Wheat Pool at a dollar fifteen or whatever.

That's where you're getting market valuation of Saskatchewan Wheat Pool, and that's what you as a farmer will have — not a dollar's equity in Saskatchewan Wheat Pool but one share in Saskatchewan Wheat Pool, which is going to go up and down on the market. So maybe you've got a dollar's equity, but maybe you've got a share that's worth two. If you run the company right, the way investors want it to be done, maybe the share's worth five.

**Mr. D'Autremont:** — Thank you. Thank you for coming in, Mr. Bray.

Well I'm a Wheat Pool member, and I'm also a past president in my local credit union, and my credit union has fought Credit Union Central probably most of its existence. I'm a member of a retail co-op that fights Federated Co-op all the time. Both that credit union and that retail co-op do so because they want to retain their local control. I believe that the Wheat Pool members gave up that control 70 years ago when those committees no longer controlled that local elevator.

My local Wheat Pool elevator closed almost 20 years ago now. Neither I nor any of my neighbours were asked whether we thought that was a good idea. It was simply a corporate decision, and it closed.

So isn't it really up to the farmers themselves to maintain that interest in the Wheat Pool? I'm also a UGG (United Grain Growers Limited) member, and they've gone this route. And it's up to, in my mind, each individual farmer to determine whether or not he wishes the Wheat Pool to remain in the hands of the farmers. And if they decide that is not in their interest, they'll sell their shares. If they believe it is in their interest, then they'll retain those class B shares and maintain control. Do they not have that option?

**Mr. Bray:** — Yes, I guess, you know, in line with what you say about letting farmers make

the decision. We say give them a vote. That's our major plank.

But farmers, by what you say, they will decide whether they're going to stay in control of Pool or not. And we fear — we're hearing it quite often here — that farmers will get rid of their shares as quickly as they can because they want the money or because they no longer have a great deal of faith in the organization or for whatever reason.

So yes, they're going to make those decisions. But we think for the most part it's going to be a sell decision.

**Mr. D'Autremont:** — So you're saying then that they have made that decision that they no longer wish to remain owners of the Saskatchewan Wheat Pool?

**Mr. Bray:** — That's the decision that they'll make. We're not sure that they'll make it with the best of information, but it's a decision they going to make.

**Mr. D'Autremont:** — Thank you.

**The Chairperson:** — No further questions? Thank you very much, Mr. Bray.

**Mr. Kirsch:** — Madam Chairman, committee members, I am Norbert Kirsch, farmer from Dysart, Saskatchewan, which is an area north-east of Regina. I've farmed there since 1982, been a Saskatchewan Wheat Pool member, and have been on the Pool committee since 1985. I also serve as a councillor for the RM (rural municipality) of Lipton. I'm also a member of the Dysart Marketing Club, and the Co-op.

There've been many dramatic changes that have taken place in agriculture since the time that I've come back to farming. And by all indications from last Monday's budget cuts, changes will continue to be dramatic. Changes in world markets, trading rules, transportation costs, are all reasons to looking at doing things differently.

Crops grown the way they're grown, and how they're handled, value added, are some of the issues that I as a producer have to deal with. The crops grown and the production of these crops, I will deal with as a farmer. The handling of these crops and the value added is the area

that I look to having my organization deal with.

The handling system and how it evolves in the new transportation world is important. I'm on a branch line whose long-term future is very questionable. When that branch line disappears, I expect that my organization will have large, modern facilities to accommodate my business. I expect this facility to have drying equipment, cleaning to export standards equipment, the ability to load cars quickly, and a trucking program to attract my business. These services will have to be provided at a competitive rate.

With the pressures that we face as farmers on our income, every dollar is of the utmost concern. Facilities to store and apply chemical are also important to me. As the application of these products gets more complicated, I expect the organization will have the equipment and the service to service those needs.

On the value added issue, the organization has done some things in a value added area to help me move my product, other than in the traditional ways. But my expectation is that it has to do a lot more in this area.

I expect this for two reasons. The first reason is that it'll be another way to move the product that I grow. The second reason is that value added process is where the money is to be made, and I need to have a share in that process.

The equity financing proposal that Saskatchewan Wheat Pool is bringing forward addresses a number of issues identified earlier. The issue of facilities to handle our products and to deliver services and to get more involved in the value added area requires large sums of capital.

There are two ways you can raise the capital: debt financing or equity financing. With debt financing, the control can be lost to these large institutions, and it's a debt which has to be repaid. I as a farmer know full well what the implications of too much debt are; one from my farming operation, and the other from what government has done or has not done to deal with their debt, for example the support programs, the Crow benefit, interest rates.

Through the equity share offering, I have a

chance to retain control, sharing profits and losses, and attract the capital that is needed to do the things that I've mentioned before. Another attraction for the proposal is that the marketing incentives are up front at the time of need, not at some point in the future.

Some members have been asking for a membership vote. In my area, meetings were held where the producers were personally invited to the meetings to hear the proposal. The delegate had two meetings with an average attendance of 30 members out of a possible 600. At the last meeting, the members were provided the opportunity to indicate their preference, which in this case was positive. And the delegate voted accordingly.

The argument that the decision was made before the delegates' meeting in July proved wrong when 20 per cent voted against the proposal, but more importantly, 80 per cent voted in favour.

What I'm asking you as elected representatives is to give Sask Wheat Pool the approval to do what we feel necessary to have the organization provide the services that I've previously outlined; in short, to compete in this changing world. Thank you.

**The Chairperson:** — Thank you, Mr. Kirsch. Are there any questions that any member of the committee has for Mr. Kirsch?

**Mr. D'Autremont:** — Thank you, Mr. Kirsch. You mentioned that the delegate provided personal invitations. Was that to all of the membership in his area?

**Mr. Kirsch:** — Yes. All of the membership were mailed personal invitations.

**Mr. D'Autremont:** — They all knew about it. They all had the opportunity to . . .

**Mr. Kirsch:** — They all knew about it. They all had the opportunity, and I personally talked to lots of them. Why they won't come out to take care of their money . . . if the banker was holding \$5,000 of your money or whatever equity you have in the company, I would think if he said he's going to have a meeting to ask you what you want to do with it, I would be there. But it's each individual's choice.

**Mr. D'Autremont:** — Thank you.

**Mr. Roy:** — Thank you, Madam Chairperson, and welcome, Mr. Kirsch. The Co-operative Friends of Saskatchewan Wheat Pool have put forward some options which they believe to be viable options for the Wheat Pool to look at. One of them of course is to roll over equity, members' equity that would be due, payable to the members, back into the operations of the Saskatchewan Wheat Pool.

Some argue that basically what you are doing there is postponing the inevitable, that some day there will be call on that equity and that the Pool would have to pay it out. But do you see that as a viable alternative?

**Mr. Kirsch:** — No I don't, because the equity that's there, I believe that in order to compete with the competition that's out there, that isn't enough capital. And the longer that equity stays with the company . . . like, I as a young farmer have a lot to lose because my equity would be totally gone.

That's why I feel it's necessary to go ahead with the proposal at this time.

**Mr. Roy:** — Can I have a supplementary? There has also been concerns raised by some of the opponents to this particular proposal that there would be a danger that class B shareholders who would be — many of whom would be — non-farmers would be able to influence the future direction of Saskatchewan Wheat Pool.

We've had clarifications here from the legal counsel for the Wheat Pool but nonetheless, that is still a concern that has been raised. Do you see that as a valid concern?

**Mr. Kirsch:** — No. I believe that our elected representatives that are representing us have checked out all the legal implications and they want to retain farmer control of this company and that's the way it's set out in this proposal that they have put forward.

**Mr. Roy:** — Thank you.

**Mr. D'Autremont:** — Supplementary. A lot of the witnesses that we've had coming forward that are opposed to this feel that the Pool membership should have a direct, hands-on control on this issue. Have the Pool members ever had that type of hands-on control?

**Mr. Kirsch:** — Well they have the resolution process that you go through a committee member, as being on the committee. We had meetings and any concerns that the members had were brought forth to us as a committee and we sent in resolutions to the company which then were dealt with and were handled in which ever manner that they deemed fit.

But us as members, we do not have the time nor the, shall we say, the expertise. That's why we elect these people to do these things for us. It's just like us electing you as a member of parliament to look after our interests. And if you're not the right person for the job, by God when your term is up, you know what happens.

**Mr. D'Autremont:** — But have the Pool membership ever had the hands-on control that the members of the Cooperative Friends of the Pool are seeking?

**Mr. Kirsch:** — No, I don't think they have. Like your question that you had before to one of the previous people here that gave presentation, I think you're right in that aspect, that we really never did have control as to that aspect. It's in the hands of the board of directors and that's the people we elect.

It's just like the country. We don't have control of the country even though we elect those people for office.

**Mr. D'Autremont:** — I agree, thank you.

**The Chairperson:** — Now that's a very sensitive area in this room. Are there any further questions?

**Mr. Carlson:** — Yes. Welcome. I want to get back to this class B shareholders for a minute. Clearly there is an opportunity laid out in the Bill for class B shareholders to have an opportunity to address concerns if the Wheat Pool makes a decision that might affect their investment. Do you see a scenario happening? Is there a scenario in your mind that could happen that the class B shareholders would request a vote?

**Mr. Kirsch:** — Well it's pretty hard to look in a crystal ball and see the future and if I could do that I probably wouldn't be sitting here. But there could be a scenario maybe down in the future. It depends what areas the Wheat Pool expands itself in and how big the company

gets. But I, as a member, holding shares in a company, if the company's going to expand and do well and which it has to do well to satisfy its shareholders, I'm going to benefit. The shareholders are going to benefit. There would be, like you said, the need for having a vote on the share. We're an agricultural company and we deal in agriculture, so anything that the Wheat Pool would do would probably have to pertain to agriculture so I can't . . .

**Mr. Carlson:** — So you think as long as it pertains to agriculture the class B shareholders wouldn't get a vote?

**Mr. Kirsch:** — Well they probably would get a vote but as long as their shares are making money and accumulating value they wouldn't have no problem.

**The Chairperson:** — Anything further? Okay, thank you very much, Mr. Kirsch, for coming forward.

I'd like to thank all of the presenters that we've had today for their diligence in preparing their reports and for their patience with our process. Because we were feeling our way around a little bit this morning in terms of the timing because it's impossible to predict how many questions our members are going to ask and how long or short the answers are going to be and then this evening I apologize for being a bit late in getting off the mark.

I should mention while some of the witnesses are here, some people who want to follow the hearings and come back, that in the weird and wonderful ways of the legislature we have a schedule change, and the hearings will not be held tomorrow night. There will be hearings tomorrow morning. The people who were scheduled for tomorrow night have been given an opportunity next week, Monday night and so on, and then we will sit again Thursday morning and Thursday night. So tomorrow's hearing, evening hearing, is cancelled. There'll be three more sessions this week but none tomorrow night.

Another thing is that the Law Clerk has prepared the comparison of the old . . . the existing legislation, Saskatchewan Wheat Pool Act, 1995 and Saskatchewan Wheat Pool Act, 1980 with respect to the choosing of directors; and so we'll pass that out so that you can have

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a look at it.

Thank you very much everyone. See you in the morning.

The committee adjourned at 9:40 p.m.

